ATHER — PARIS: Monday, fair. Temp. 11. Tuesday, variable. LONDON: Monole. Temp 13-7 (55-45). Tuesday, va-
OME: Monday, variable. Temp. 23-10
EW YORK: Monday, clear. Temp. 18-7

NAL WEATHER — COMICS PAGE.

INTERNATIONAL

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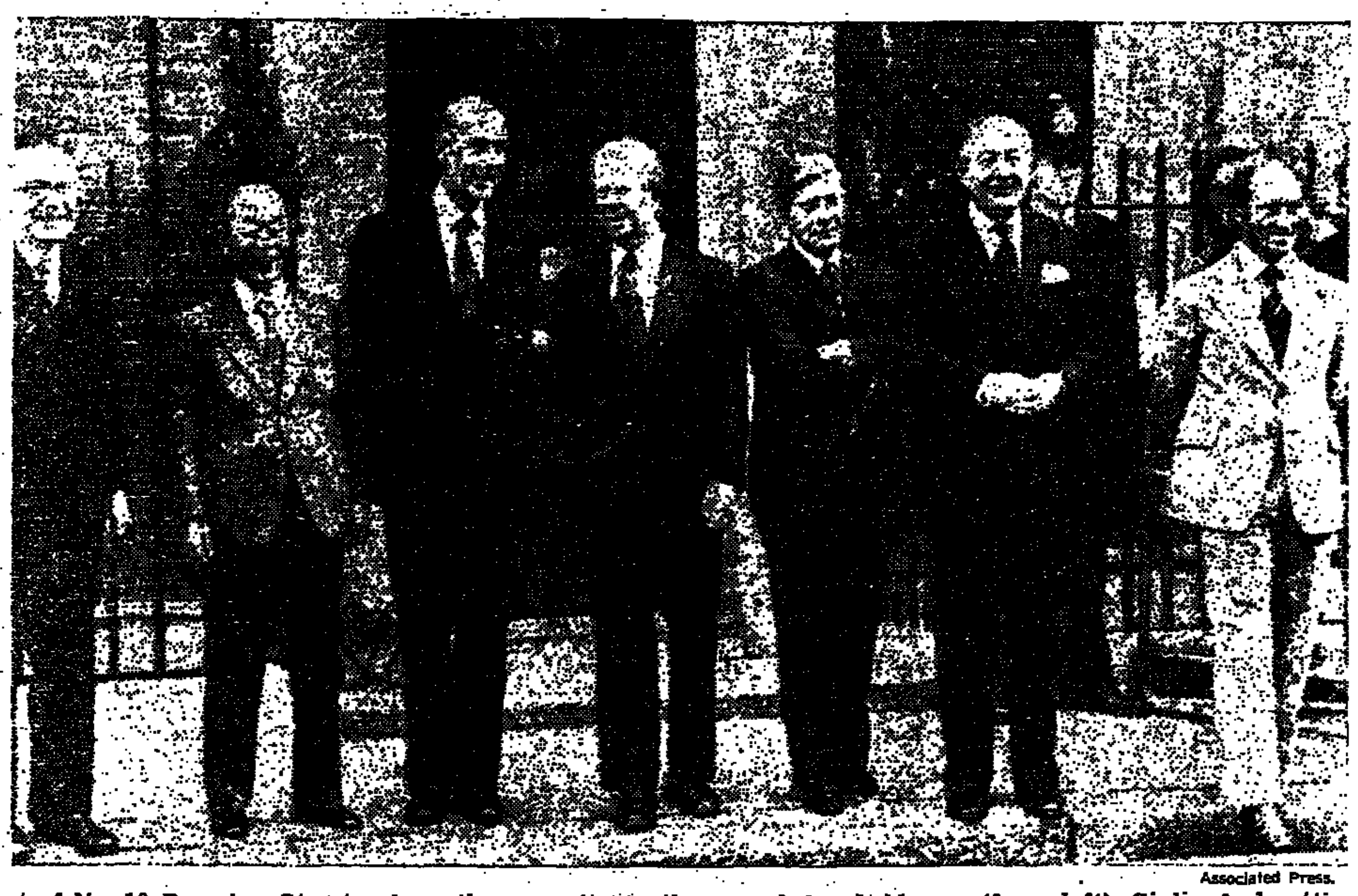
,315 ** PARIS, MONDAY, MAY 9, 1977 Established 1887



Associated Press.

...t of No. 10 Downing Street, where the summit meeting was being held, are (from left) Giulio Andreotti, ...Fukuda, Valéry Giscard d'Estaing, Jimmy Carter, Helmut Schmidt, James Callaghan and Pierre Elliott Trudeau.

Issue 7-Point Declaration

7 Summit Leaders Set Targets To Trim Inflation, Joblessness

By James Goldsborough

LONDON, May 8 (IHT).—Leaders of the industrial world today adopted a seven-point plan aimed at solving their principal economic problems and reducing their differences in key areas such as nuclear energy and aid to the Third World.

The program was adopted on the final day of an economic summit meeting that brought leaders of the United States, Britain, France, West Germany, Canada, Japan and Italy together for a two-day meeting here.

Most of the points were concerned with strictly economic measures, such as reducing inflation and unemployment and easing balance of payments difficulties among both the industrial and developing countries.

But today's declaration also included points designed to work out differences between the United States and its partners over the export of nuclear technology. The seven nations decided to set up a study commission that would report its recommendations on nuclear exports within eight weeks.

Addressing a news conference tonight, the chiefs of government referred to the nuclear agreement as one of the conference's main achievements.

'Sensitive Question'

"The use of nuclear energy is crucial to those nations not blessed with other sources of energy," President Carter told the press. "We want to be sure that our exports of nuclear technology do not end up making explosives. It is a very sensitive and difficult question indeed."

West German Chancellor Helmut Schmidt, whose nation had differed publicly with the United States over nuclear policy—particularly over its multibillion-dollar sale to Brazil, said today. "All necessary measures will be taken to assure that there is no misuse of nuclear technology."

Points one and two of the program called for an increase in jobs while reducing inflation in the industrial world. The declaration particularly emphasized reducing unemployment among young people and said that to accomplish the goals the seven nations would fix "growth targets."

These points called for surplus nations, notably Japan and West Germany, to "help create an environment conducive to expansion in the other countries without adding to inflation." There was no indication, however, that either of these two surplus countries pledged immediate reflation to help the deficit countries.

IMF Resources

Point three of the declaration pledged additional resources to be made available to the International Monetary Fund to help finance trade and ease balance of payments problems for nations particularly hit by the rise in energy prices.

These "additional resources," in addition to IMF funds voted last month for the same purpose, would go, according to President Carter, mainly to the world's poor and developing nations.

The seven nations pledged to do nothing that would increase trade protectionism in coming months and to reinvigorate the multilateral trade negotiations that are now stalled in Geneva. They stressed, however, that individual nations were not prohibited from adopting "temporary measures to avoid market disruption."

The goal, said the declaration, would be to achieve "a tariff-reduction plan of broadest possible application designed to achieve a substantial cut and harmonization and in certain cases the elimination of tariffs."

On energy, the declaration welcomed measures taken by governments to increase energy conservation and called for greater use of coal and other conventional energy sources.

Nuclear Availability

On nuclear proliferation, the seven in particular stated that nuclear energy should be available to all countries that wanted it and that nonproliferation policies should be "as far as possible acceptable to both industrialized and developing countries alike."

This language was in large part a victory for the Europeans and the Japanese, who came here arguing that Washington's energy policy did not take into account the needs of non-energy-producing nations. In informal remarks here, President Carter said that the Japanese, among others, had stressed the need for nondiscriminatory U.S. policies toward nuclear exports.

The final point was a pledge by the industrial world to help developing countries in aid, trade and financing.

Speaking to the press tonight, Secretary of State Cyrus Vance said that the conference participants recognized that there was more substance in this summit meeting than in others that have been held. "Unlike some summits," Mr. Vance, said, "there will be a follow-on to this conference."

President Carter had been even more specific, telling the press that "our own reputations are at stake to carry out our promises." The seven nations already have designated representatives in charge of follow-up consultations.

Much of the discussion here was devoted to relations with the developing countries in the North-South dialogue, which resumes in Paris later this month.

Mr. Vance said tonight that there was an agreement to set up a common fund to be used to stabilize the prices of some commodities for "the poorest countries."

Treasury Secretary Michael Blumenthal said that all the details of the common fund remained to be negotiated with the developing nations in the North-South conference.

The seven-point declaration spelled out an extensive program of cooperation with the developing nations, recognizing "that the well-being of the developed and developing nations are bound up together."

The seven nations also called on the Communist nations to play a role in aid to the developing nations. Explaining this tonight, Mr. Carter said that the invitation to the Communists was issued "in a congenial way" and said that competition between the industrial and Communist worlds in the developing world should not be limited to arms sales alone.

The human rights situation was

(Continued on Page 2, Col. 4)

Said to Remain at Odds on A-Fuel Policy

...rter, Schmidt Make Up Publicly

...Hedrick Smith

...N, May 8 (NYT).—...Carter and West Ger...ncellor Helmut Schmidt, ...clashed on several key ...cently, made a public ...mending their fences ...but without having ...y resolved their dif... on controlling the spread ...r technology with weap...ntial.

...oublesome nuclear issue ...reportedly raised with ...ter by Japanese Premier ...ukuda in a brief and ...scheduled meeting yes...fternoon, just before the the second session of the ...tion economic meeting

...ed diplomatic sources ...t Mr. Carter and Mr. ...had argued over the ...ssue Friday night at a dinner given for the ...eaders. They were un... to be seeking an ar...t to delay handling of through naming an in...al study group.

...ay morning, when the ...met for breakfast at ...House, the U.S. ambas...esidence, they evidently the nuclear question for ...es. Later they said they ...sed with their talks and ...d that Mr. Schmidt ...y his first official visit ...nt Carter in Washington ...13-14.

...W. German Role

...of West Germany's ...power and importance ...estern alliance, coopera...een Mr. Carter and Mr. ...is widely regarded as ...sense of unity and con... in the Atlantic com...as well as being a ...e for the new U.S. ...'s leadership in foreign

...des put an optimistic in...ion on their relations ... After what a U.S. par...described as "a very ...t, direct, frank discus...tween the two leaders, ...er said in answer to a ...s question that the talks ...have been better—we ...remaining differences."

...e comments by Zbigniew ...i, the President's na...ecurity adviser, and of ...midt himself indicated ...two leaders still had not ...pletely bridged the gap ...Mr. Schmidt's declared ...ation to sell West Ger...lear technology to Third ...untries even when it has ...making potential, and Mr. Carter's firm opposition to such sales.

The agenda for yesterday morning's talks, the two sides said, focused strongly on East-West issues and dealing with Moscow, both on strategic arms issues and arms reductions in Central Europe, as well as such other issues as the economic situation, trade, Africa, and human rights.

'Too Much, Too Early'

When he was asked if the issue had been resolved with Mr. Carter, Mr. Brzezinski replied sternly: "You ask too much, too early, Sir." At another point, when a reporter inquired whether the issue would be resolved at the current round of talks in London, he declined to answer.

Mr. Brzezinski, who sat in on 30 minutes of talks among the two leaders and their foreign ministers, indicated that more discussions would be needed to bring the U.S. and West German positions into line.

"There is no fundamental friction," he said. "There are different perspectives and differentiational settings... they intend to collaborate very closely and I am very confident that in the weeks ahead, the U.S. and German positions—taking into account the national peculiarities—will become increasingly compatible."

Nonetheless, several sensitive and potentially divisive issues arose during the hastily arranged meeting yesterday afternoon between Mr. Carter and Premier Fukuda, another leader who has

(Continued on Page 2, Col. 8)

Carter Rebuffs Bid for a Chat On Concorde

LONDON, May 8 (AP).—President Carter turned down a request Friday by a pro-Concorde group for time to discuss the New York ban on the supersonic British-French plane.

The U.S. Embassy informed the All-Party Concorde Group, which represents both British and French legislators, that Mr. Carter did not have time to meet with them.

Mr. Carter, here for an economic summit meeting, has said the matter of whether the plane will be allowed to land at New York's Kennedy Airport is not the federal government's decision.

Says Soviet-Made Weapons Found

Zaire Reports a Shaba Village Recaptured

From Wire Dispatches

KINSHASA, Zaire, May 8.—The Zaire government reported yesterday that a joint Zairian-Moroccan task force had recaptured Sanikosa, a Shaba Province village on the rail line to Zaire's southwestern border with Angola.

It said the town was recaptured after "bitter fighting." The government news agency, AZAP, said the rebels lost "many dead" but gave no figures. There was no mention of Zairian or Moroccan casualties.

On Friday, the government reported it had recaptured another town on the rail line, Kawayongo. But today, it reversed itself and reported that Kawayongo had not been recaptured.

AZAP said that government troops took a prisoner and a large supply of ammunition and supplies, including Soviet-made rocket launchers, mortars and shoulder-held anti-aircraft missiles in the fighting to recapture Sanikosa, a farm town.

The prisoner, first identified as the operator of a surface-to-air missile unit, was later shown to Western journalists in Kinshasa. He told them: "I'm only a bow-and-arrow man." The prisoner was also shown on a local television program.

Southern Shaba Province, formerly known as Katanga, was invaded last month by 2,000 Katangans who had fled into Angola after their secession movement was defeated in 1963. They seized about a third of the copper-rich province but have fallen back before the government's counteroffensive.

Meanwhile, a government offensive was reported under way, but bogged down by rain, against the rebel-held town of Kapanga, 260 miles northwest of Kolwezi. Kapanga is the home of the hereditary tribal chieftains of the Lunda tribe and symbol to the rebels, many of whom are Lundas.

President Mobutu Sese Seko was reported to be in the headquarters town of Kananga to monitor the Kapanga drive. Kananga, formerly Luluabourg, is 130 miles north of Kapanga.

Archers using poisoned arrows have been re-introduced by the government and are "sowing panic among the enemy," official Zaire radio said today.

According to government sources the rebels are also using bows and arrows along with sophisticated weaponry.

Three weeks ago President Mobutu said he had sent Pygmy bowmen to Shaba with poisoned arrows. When correspondents arrived in the area two weeks ago, they were told the Pygmies had been withdrawn for "retraining." The radio said that "a large contingent of men armed with poisoned arrows" had been sent back into the fighting. The warriors were not identified as Pygmies, however.

Journalists in Europe

BRUSSELS, May 8 (AP).—Three of the seven Western journalists arrested in Zaire a month ago and whose expulsion was announced in Kinshasa Friday arrived here yesterday on their way home. They said they never had any intention of engaging in military or political spying.

Colin Smith, 32, a reporter for the London Observer, said he had feared he would have to stand a speedy "military trial and be sentenced to death."

The two other newsmen, West German writer Eric Follath and French photographer Regis Bossu, who worked for the West German magazine Stern, said they had shared such fears.

Mr. Follath said that the four Spanish television journalists, whose expulsion was also ordered Friday, were accused of being pro-Angolan because they were carrying press documents showing they had been in Luanda in 1975 for Angola's independence ceremonies. The four Spanish journalists left Kinshasa yesterday for Madrid.

4 European Socialist Chiefs Hail Rise of Eurocommunism

MADRID, May 8 (Reuters).—The Socialist leaders of Portugal, France, Spain and Italy said today that the defense of human rights was compatible with East-West détente.

This followed discussions of the forthcoming East-West conference in Belgrade at a two-day meeting attended by Premier Mario Soares of Portugal, François Mitterrand of France, Bettino Craxi of Italy and Felipe Gonzalez of Spain.

In a resolution, they said the emergence of Eurocommunism, the more independent brand of Communism pursued by the French, Spanish and Italian Communist parties, who have championed human rights, had troubled the Soviet Union.

"The question of human rights has become highly explosive and has posed the question of its compatibility with détente," they said.

But they said there was no incompatibility between the two, adding: "Détente cannot represent an obstacle to the elimination of existing injustices."

However the leaders of southern Europe's Socialist parties said human rights violations by Western powers in Africa, Asia and Latin America also had to be denounced and stopped.

They stressed the political need to broaden the European Economic Community to take in Greece, Spain and Portugal.

But they said Spain and Portugal could not immediately be brought into the community without steps to offset negative repercussions on the economy of the other members.

The four leaders sidestepped a question on whether their meeting was a response to a meeting held here in March by the Communist party leaders of France, Italy and Spain.

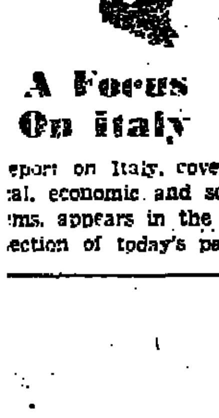
But Mr. Soares said: "We respect Eurocommunism. It is the most important ideological current that has emerged in Europe since the Second World War."

On Spain's possible entry into the North Atlantic Treaty Organization, Mr. Gonzalez said Spanish Socialists opposed military alliances but would submit to the decision of the parliament to be elected next month.

Russia, Japan Agree To New Fishing Talks

MOSCOW, May 8 (AP).—Soviet and Japanese negotiators have agreed to resume on Tuesday the fishing talks which were broken off at the end of March, Japanese sources said yesterday.

They will seek an interim agreement that would allow Japanese fishermen to work inside the newly declared Soviet 200-mile fishing limit. Japanese boats were withdrawn after the talks broke down.



A Focus On Italy

...eport on Italy, covering ...al, economic and social ...ms, appears in the sec...ection of today's paper.

Talks in Geneva Today

Assad Hopeful on Carter Meeting

From Wire Dispatches

GENEVA, May 8.—Syria's President Hafez al-Assad said on his arrival today from Damascus that he hoped that his meeting here tomorrow with President Carter would be "fruitful" for the cause of Middle East peace in the interest of all peoples.

However, the Arab leader said in reply to a question that he did not "have in mind giving up an inch of our territory" in a peace settlement.

Mr. Assad answered questions at the airport after completing a brief statement. He was greeted by Swiss officials and Arab diplomats.

Mr. Assad spoke in Arabic and his remarks were translated into English by his personal interpreter.

In his statement, the Syrian President expressed the hope that his meeting with President Carter "will give a new push" toward peace in the Middle East.

Asked about his recent pronouncements on frontiers between Syria and Israel, President Assad said: "Secure borders means everyone should have his own rights. We do not have in mind at all to give up a single inch of our territory."

Mr. Assad has said Syria is ready to discuss the idea of demilitarized zones between Israel and its Arab neighbors, provided such zones apply to both and form part of an overall peace accord.

Both Soviet leader Leonid Brezhnev and Mr. Carter have proposed demilitarized zones.

The Arab countries also want the U.S. President to support their demands for Israel to withdraw to the pre-1967 frontiers and that the Palestinians be given the right to decide their own future on their own land.

Mr. Assad said that he wanted to see the Geneva Middle East peace conference reconvened. He added, however, that it had to be well prepared in order to have the best chance of success.

The Syrian President is accompanied by a party of about 50 persons that includes his wife and Foreign Minister Abdel Halim Khaddam.

Mr. Assad is staying at the Intercontinental Hotel, where he will confer tomorrow with President Carter, who will be making a quick round-trip flight from London. Plans call for Mr. Carter to arrive at 2:30 p.m. and to return at 8 p.m.

Associated Press

AWAITING CARTER—Syrian President Hafez al-Assad arrives in Geneva yesterday for Carter talks today.

Jenkins Slighted to Appease Giscard

EEC Loses Summit Battle of the Place Cards

By Hobart Rowen

LONDON, May 8 (WP).—On Friday night, Common Market Commission president Roy Jenkins showed up at 10 Downing Street for Prime Minister James Callaghan's dinner for heads of state and their chief aides, here for the two-day summit meeting that ended today.

It was then that Mr. Jenkins learned that he was to dine not with the seven heads of state but with the accompanying finance ministers.

This bit of stage management, which has angered Mr. Jenkins and the Common Market bureaucracy, was a final bow to French President Valery Giscard d'Estaing, who had objected to Mr. Jenkins's participation at some of the summit sessions.

A former British chancellor of the Exchequer, Mr. Jenkins, according to reliable sources, is not only furious with the French but also annoyed with Mr. Callaghan, an old British Labor party foe, for not fighting harder for equal treatment for him.

"The British let this happen to Jenkins in his own home town, when, as hosts, they presumably had some clout," said a friend of Mr. Jenkins.

At a dinner last night at Buckingham Palace, Mr. Jenkins was even more than "below the salt." He was at a separate table with the foreign ministers.

Even though Mr. Jenkins was not allowed to sit with President Carter and the other heads of state, Mr. Giscard d'Estaing refused to accept an invitation to the Callaghan dinner. Mr. Giscard d'Estaing stayed in Paris and arrived for the summit meeting yesterday morning.

At Mr. Giscard d'Estaing's insistence, Mr. Jenkins was also excluded from the first full day's meeting on world economic problems. This was after Mr. Jenkins had been given the impression last week in Brussels that Mr. Giscard d'Estaing would be content if he merely missed the morning session.

British Foreign Minister David Owen told Mr. Jenkins about the arrangements — except for the seating at the Callaghan dinner — in Brussels last week. Mr. Owens said. "This is an honorable compromise, if a bit untidy."

[Mr. Giscard d'Estaing had noted earlier that the London talks are the third in a series of economic summit meetings — the first two were held in Rambouillet and Puerto Rico — and are "informal exchanges among chiefs of government." He said he saw no reason why members of the EEC Commission, and specifically Mr. Jenkins, should be present. The Commission was not present at the previous two meetings.

[The community's five smallest nations — Belgium, Luxembourg, the Netherlands, Ireland and Denmark — have pushed for the Commission's representation, and Mr. Jenkins's presence, in London.]

Although even a limited Common Market participation is a better deal than the Brussels contingent had at Rambouillet or Puerto Rico, they are far from satisfied.

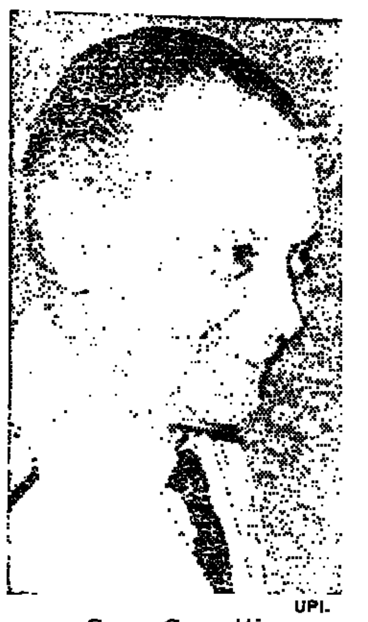
Dutch officials believe that Mr. Jenkins should have been more firm in fighting what Mr. Jenkins himself called a few days ago "illogical and arbitrary" decisions.

Observers believe that Mr. Giscard d'Estaing is echoing an old Gaullist suspicion of the Common Market because of his weakening political position at home.

"It is a replay," said a Brussels expert, "of earlier days when the French walked out and we had the saga of the empty chair . . ." Mr. Giscard d'Estaing may also be playing a game of "hard ball" because Mr. Jenkins, as a powerful politician by European standards, might exert an extra margin of influence for the Common Market.

Nor has it been lost on Mr. Giscard d'Estaing that Mr. Carter has shown great warmth for both Mr. Jenkins and Mr. Callaghan.

"There is the old Gaullist fear that the British, as Common Market members, would be a sort of Trojan horse for the United States," an insider said. "And it all seems to add up to a collective reason for Giscard's making his feelings so conspicuously blunt."



UPI.

Cesar Guzzetti

Top Minister Hurt in Attack In Argentina

BUENOS AIRES, May 8 (Reuters). — Adm. Cesar Guzzetti, Argentina's foreign minister, was in serious condition today, partly paralyzed and with severe head injuries inflicted during a leftist guerrilla attempt either to kidnap or kill him.

Police sources said Adm. Guzzetti, 52, was struck twice on the head then shot by his attackers as he entered a private clinic here yesterday.

Dissident Peronist Montoneros guerrillas claimed responsibility.

Police sources said the attackers escaped believing they had killed the admiral, a member of the military government that removed President Isabel Peron last year.

The newspaper La Nacion said a man and a woman attacked Adm. Guzzetti, knocking him down and using a pillow to muffle the sound of the shots.

Nurses Overpowered

The newspaper said they bound two doctors and two nurses at the clinic then waited for the admiral to arrive. A nurse freed herself and alerted his bodyguard—waiting outside—but by then the admiral lay wounded on the floor.

Doctors said he was operated on after being moved to the police hospital, but that he had progressive paralysis of his right side.

La Nacion said a bullet that entered Adm. Guzzetti's head split into three fragments. It said doctors could not remove one of these because it was lodged near the medulla oblongata—the part of the brain that tapers into the spinal column.

Doctors said the admiral was lucid and able to communicate with other persons at Bartolome Churruca Police Hospital.

It was the most serious guerrilla attack since the Marxist People's Revolutionary Army tried to kill President Jorge Videla on Feb. 18, planting a bomb near the runway as his plane took off. He was unhurt.

La Nacion said the admiral's attackers painted signs on the walls inside the clinic identifying themselves as members of the Dardo Cabo Command — named after a Montonero leader killed earlier this year.

They also left a time bomb in the clinic but police defused it, the paper added.

5 Nations' Envoys To Visit Namibia

CAPE TOWN, May 8 (AP).—Representatives of the five Western powers who recently discussed the future of South-West Africa (Namibia) with Prime Minister John Vorster will visit the territory early next week.

A U.S. Embassy office in Cape Town said the Western envoys will meet with interested parties and political groups in Windhoek, South-West Africa's capital.

Political observers said that means talks will be held with representatives from the South-West Africa People's Organization (SWAPO) and delegates from the South African-sponsored Turnhalle constitutional conference on South-West Africa. The five Western governments are Canada, France, West Germany, Britain and the United States.

Peruvians Suspend Anchovy Fishing

LIMA, May 8 (AP).—The government suspended anchovy fishing along most of Peru's 1,400-mile coastline Friday, three days after the Peruvian Sea Institute expressed concern over dwindling stocks of the high-protein fish.

It was hoped that the ban might be applied only during the normal April-July season. A Sea Institute bulletin said that warm southbound ocean currents had severely disrupted the feeding and reproductive cycle of the cold-water fish.

Many Still Want to Flee

Hardships, Regime's Rigidity Provoke Discontent in Laos

By Norman Peagam

VIENTIANE, Laos, May 8 (NYT).—Shortly after dawn, loudspeakers around this capital begin broadcasting revolutionary music and people leave for work. Most city residents are employed by the government and in the hot season working hours are from 7 to 11 a.m. and from 2 to 5 p.m.

With the Laotian revolution making way for the traditional siesta, little of the surface of life seems to have changed in Vientiane two years after the Communists' seizure of power.

The city's economy is badly run down, partly as a result of the halt in U.S. aid in 1975 and the blockade by Thailand. But French restaurants still serve good food and wine to foreigners, the movie theaters still show romantic films and thrillers along with Soviet and North Korean productions and a few nightclubs remain open although dancing is forbidden and only revolutionary songs are played.

But a closer look reveals that there have been major changes. Crime, drug addiction and prostitution have been largely suppressed. Everyone is expected to work hard and take part in communal rice and vegetable projects in the evening and on weekends. Most people have lost weight because of the high prices of food. People are tired after all the work and the long political seminars everyone must attend, so the city streets are almost deserted by 9 p.m.

Since the Communist take-over more than 100,000 persons, including most of the professional and commercial elite, have fled. According to an official estimate, about 1,000 persons a month are still crossing the Mekong River frontier into Thailand. Border guards sometimes shoot at them and bodies have washed up on the bank.

Those who succeed in crossing face a long and uncertain stay in refugee camps, where Thai officials are said to cheat and rob them. But still they go, often leaving behind their families, friends and possessions.

One of the main problems facing the Laotian Communists is that having won the war with Vietnamese help, they have squandered much of their popular support through economic mismanagement and the enforcement of often harsh and arbitrary controls.

Many Want Out

The Western visitor meets many who want to leave but lack the money, the connections or the courage. There is the young man who approaches a foreigner in the street and offers to sell his watch to help raise the $150 fare for a boat ride across the river. There are the two 17-year-old students from formerly well-off families who want to go to France and say of the Communists that they are always forcing them to do things they do not want to do.

There are many others who support the new government or at least accept it despite the difficulties.

Prince Souvanna Phouma, the 76-year-old former premier of the right-wing government backed by the United States, still lives quietly in his old residence, occasionally attending diplomatic dinners. Treated with deference by the government, he has been named a special adviser and attends monthly Cabinet meetings.

This year more than 200 students returned from France and smaller numbers have returned from other Western countries. A young civil servant who came back last November after six years at school in London said: "If everyone got together and really carried out the government's policies, things would be great because their ideas are very good. But it's like building a new house. It takes time and there are bound to be problems and difficulties."

'Time Not Important'

Western diplomats agree that many of the government's programs are good in concept but say that practice often falls far short of theory. They list firm political will, honesty, patriotism and discipline as the new rulers' main strengths. But, they maintain, the priority of ideological over technical considerations, the Communists' deep suspicion of Westerners and intolerance of dissent and their poor managerial skills seriously hamper efforts to develop the country.

An international aid official said, "Time is not important to them. They have told me it will take a generation to straighten things out and admit they have a lot to learn about running the country."

It seems likely that the Communists have a solid political base in the two-thirds of Laos that they controlled during the recurrent conflicts that began in the 1950s. In the Mekong Valley, where they are still relative newcomers, their power is maintained largely through apathy and the threat of armed force.

In the seminars that everyone must attend regularly, people appear afraid to ask questions although they are supposed to have the right to do so. In the weekly criticism sessions in government offices, where any member of the group can criticize anyone else for any shortcoming, people seem fearful of being denounced.

Uncertain of Rules

"The old regime was also arbitrary in its arrests but most people knew how to stay out of trouble," a Laotian said. "Under this government no one knows the rules of the game."

It is little consolation that the Communists deal severely with party members who commit mistakes. Recently a senior official in the Agriculture Ministry was arrested in his office and jailed without trial on charges of corruption and nepotism. The former minister of economy and planning, Soth Petrasi, who was said to have left the capital two years ago for a rest, is believed to have been undergoing re-education because he bought expensive jewelry for his wife and went to a nightclub during an official visit to Europe.

According to Sisanane, chief editor of the National Press Agency, tens of thousands are in re-education centers throughout the country, including most senior officials and police and military officers of the previous government who did not flee. Western diplomats estimate the number of detainees at 30,000.

Popular discontent has been intensified by the difficult economic situation that followed the end of the capital's wartime boom. Derelict cars and trucks lie rusting all over the city, victims of shortage of spare parts. For those cars and motorcycles still in circulation, gasoline supplied by Shell is rationed. Many shops are closed and shuttered while the few that remain open have little to sell.

Most people have no money to spend on anything but essentials. A driver for the United Nations who supports his wife and nine children on the standard wage of $12 a month had to dispose of his furniture to make ends meet. He ended up selling his light bulbs.

Although there is enough food in the markets, especially fruit and vegetables, the government has been unable to control prices. Meat and fish have become luxury items. A black market in foreign currency and commodities flourishes.

Government and party officials and soldiers enjoy numerous privileges not available to others, including access to stores where lower-priced goods can be bought.

Partly to feed this unproductive class the government imposed a tax on harvests last year that was extremely unpopular. Some officials reportedly refused to collect the tax and some farmers are said to have burned their surplus crops rather than pay it. There is speculation that the tax will be repealed or greatly modified before this year's harvest in November.

Last year's rice harvest was 15 per cent below average, according to informed estimates. Self-sufficiency in food remains a priority, along with road construction. But such goals are expected to take several years to achieve.

A factor hampering development has been the activities of rebels who have ambushed trucks and attacked troops.

The government accuses the United States and Thailand of aiding the rebels, who are said to number 2,000, and it seems apparent that Thai officials give them support. But they are poorly armed and supplied and diplomats say they do not pose a serious threat.

Carter Pays Visit To Westminster Abbey for Service

LONDON, May 8 (AP).—President Carter knelt in silent worship today at Westminster Abbey and heard the Right Rev. Edward Knapp-Fisher mention him in the early-morning communion service.

"We pray especially for President Carter, making his first visit as President to this country, and for all of his people," the Anglican bishop said.

He added another general prayer for all the participants in the seven-nation summit conference here, which Mr. Carter is attending.

Only a handful of worshippers were in the abbey for the 8 a.m. service; Mr. Carter's appearance had been kept a secret.

After the service, the President and his secretary, Susan Clough, toured the abbey with the bishop, viewing the tombs of such figures as William the Conqueror, King Edward I, Henry IV, Queen Elizabeth I and Mary Queen of Scots.

United Press International.

ALLEGIANCE—A new member of Swiss Guard at the Vatican swears to serve Pope.

Pope Gives Audience to Swiss Guards, Families

VATICAN CITY, May 8 (Reuters).—Pope Paul received the Vatican's Swiss Guards yesterday, including 16 new members and their families, in a special audience.

The event marked the anniversary of the day in 1527 when 147 members of the 477-year-old corps were killed defending the pope during the sack of Rome.

The Pope praised the guards for their readiness to defend him and Vatican employees.

Mudslinging, Scandals Mark May 17 Election Drive

Despite Pervasive Campaign, 17% of Israelis Are Undecided

By Dial Torgerson

JERUSALEM, May 8.—Israelis are being bombarded by television commercials, surprised by sudden changes and stunned by unprecedented mudslinging as the May 17 general election nears. But a surprising number of voters remains undecided.

The undecided vote, about 17 per cent, is attributed to changes of fortune that have rocked the major parties—scandals, defections, unexpected disclosures, the heart attack of a leading politician and the resignation of another.

The already confusing choices, with 22 parties on the ballot, has been further complicated by the disarray into which this year's events have thrown the politics of Israel.

In January, it appeared that the Labor party would probably survive two scandals—indictment of a party official and the suicide of another, both accused of mishandling funds—and move toward the elections with hopes of doing as well as it did in December, 1973.

Labor has named every prime minister since independence and won 39.6 per cent of the vote in the last election. The latest public opinion poll gave it only 32 per cent. The probable reasons:

- Yitzhak Rabin took a leave from the prime minister's office under fire after he and his wife were charged with maintaining illegal bank accounts in Washington.
- Defense Minister Shimon Peres smoothly succeeded him as acting prime minister and Labor's new top candidate. But the man Mr. Peres picked as a top Labor leader, former Foreign Minister Abba Eban, is the subject of a widely publicized inquiry into his foreign bank accounts.
- The Labor government has been unable to cope with a wave of strikes, including tie-ups that halted the nation's merchant marine and El Al, the national airline.
- An April 26 state controller report was the most critical in Israeli history about the military, charging waste, theft, inefficiency, ill-kept supplies and misuse of aircraft for personal flights. It reflected on Mr. Peres, who had been minister of defense.

The party Labor's troubles should presumably help the most is the new, reform-oriented Democratic Movement for Change.

Archaeologist Yigael Yadin, who bought, translated and displayed the Dead Sea scrolls and excavated the ancient mountaintop fortress of Masada, organized the party last year around Israeli intellectuals who agreed with him. He believes that Israel is in greater danger from labor problems, bad management and an unwieldy political system than it is from the Arabs.

The new party has dented both Labor and the hawkish, rightist Likud, draining off some of their leadership and taking votes from both, according to the polls.

But Mr. Yadin ran into problems in his first political forays. Smart campaigners took advantage of imperfections in the computerized voting system that chose the party's leadership. Top finishers on the leadership list got parliamentary seats but the North African (Sephardic) Jews were all but frozen out of the leadership list. Mr. Yadin just barely managed to prevent a big bloc of them from defecting.

Then a writer for a newspaper backing a rival, liberal group accused Mr. Yadin of mishandling a $6,000 check in a deal involving sale of ancient weapons from Hebrew University, of personally profiting from his Masada project and of renting his Jerusalem apartment for U.S. dollars in violation of exchange laws. The district attorney found no cause for investigation of the check matter. Mr. Yadin denied the Masada charge in a $500,000 libel suit and there has been no action on the rent charge.

In March, the party had 13 per cent of the vote, according to polls, in April, 11 per cent. The party says it is back up to 13 per cent again because of the latest Labor troubles.

Israelis vote for parties, not candidates. Each party gets a proportionate share of the 120 seats in the Knesset (parliament) according to its percentage of the popular vote. In the new government, 13 per cent would mean 15 seats.

Meanwhile, Likud seemed to be gaining more of Labor's disenchanted votes than did the Yadin movement. But an unforeseen event cropped up to hurt Likud's chances, too.

The Likud, which has said "not one inch" of Israeli-occupied land should be returned to the Arabs and favors more settlements in the occupied territories, is characterized as dangerous and irresponsible in Israeli political advertisements.

© Los Angeles Times.

Settlements Planned

JERUSALEM, May 8 (Reuters).—Israel plans to build 110 more settlements in the southern Negev and in the occupied northern Sinai, the government announced today.

A ministerial committee approved a 30-million-Israel-pound ($3-million) budget to plan the southern development project, a spokesman said.

While most of the proposed settlements are to be built in the sparsely populated southwest Negev, an unspecified number will also be established in the Rafiah district in northern Sinai. The area was captured from Egypt in 1967 and there are now 12 Israeli settlements in the region.

7 Summit Leaders Set Goals To Cut Inflation, Joblessness

(Continued from Page 1)

discussed here, although not mentioned in the declaration. While the six other nations said they agreed with President Carter on the human rights issue, Mr. Schmidt said that some countries' methods had to be different. He said that his nation's sensitive relations with such countries as East Germany and Poland caused West Germany to keep a lower profile on human rights declarations than some other countries.

Tass Sees 'Differences'

MOSCOW, May 8 (AP).—The official Soviet press agency Tass said today that the seven-nation economic summit conference in London has been marked by "an atmosphere of differences."

"They flare up as soon as the talks touch upon practical measures for overcoming the economic crisis in the capitalist world, which is the deepest in the last 40 years," Tass reported in a dispatch from London.

As a result, the agency said, participants in the summit meeting confined themselves to "placing on record the seriousness of the crisis."

"The London meeting has not justified the hopes of the countries particularly heavily affected by the crisis—Britain, Italy and France—that their 'stronger' partners—the U.S.A., West Germany and Japan—will take special measures to invigorate business activity, which would enable them to ease their economic situation," the Tass account said.

It noted that "sharp differences cropped up at the meeting during the debate on the energy program put forward by the U.S. delegation"—including President Carter's plan for firmer international guarantees against nuclear proliferation.

"After a tense debate the participants in the meeting decided to turn over this problem to a technical group of experts for further study," Tass said.

Turkey Holds 17 In May Day Riot

ISTANBUL, May 8 (Reuters).—Seventeen persons have been charged with firing guns during the May Day violence here in which 38 persons were killed, the public prosecutor's office said Friday.

The 17, who were among about 480 seized by police in the street battles last Sunday, were charged with possessing firearms, shooting and violating laws governing public meetings.

About 400 of those detained were released after questioning, the prosecutor's office said. About 60 are still being investigated.

7 Leaders Take Stroll In London

LONDON, May 8 (AP).—President Carter and the six other summit leaders surprised a flock of tourists and dismayed their own security men yesterday when they opted for a stroll in the park rather than ride to lunch in their limousines during a break in the Downing Street talks.

Canada's Prime Minister Pierre Elliott Trudeau suggested the walk when the leaders emerged from Prime Minister James Callaghan's official residence to face a horde of press photographers.

Although the leaders' official cars were ready to drive through a gate to pick up the VIP entourage, Mr. Trudeau said, "Well, let's walk." Mr. Callaghan turned to a U.S. Secret Service officer and said, "Well, there goes our security."

After a moment's hesitation, the seven started walking the half-mile to Lancaster House, where luncheon was waiting. The quickest way to go there on foot is to zig-zag through St. James's Park, an island of emerald green and small ponds in the concrete heart of London.

Dozens of newsmen scrambled to overhear the conversations among the government leaders as they made their way past the tulip beds and around the duck pond. But security was heavy and British and foreign police and bodyguards formed a tight cordon around the men.

They split into two groups for the stroll. Mr. Callaghan led the way with West German Chancellor Helmut Schmidt, French President Valéry Giscard d'Estaing, Italian Premier Giulio Andreotti and Japanese Premier Takeo Fukuda. Mr. Carter and Mr. Trudeau followed in a "group" of their own and attracted the larger crowd.

When U.S., European and Asian tourists realized what was happening, they rushed to the Carter group.

"Where's Carter? Where's Jimmy? Oh, I want to see him, oh, he's so handsome, what a nice smile," came the excited shouts.

Children were held up by beaming parents and many tourists hastily focused their cameras as they broke into a trot to keep up with the group. Commenting, "It's a lovely day," the President frequently waved to onlookers.

In an attempt to keep abreast of Mr. Carter and Mr. Trudeau, television camera crews, photographers and newsme[n] ten ran backward as they [...]ed with each other and an[yone] else who got in their wa[y] overhearing a remark or ge[tting] the right picture angle.

A cameraman fell back into a trash can and strug[gled] to get out and at least [...] others were knocked to [the] ground and nearly trample[d by] the relentless security off[icers] clearing a path for the s[even] leaders.

Associated Pre[ss]

President Carter (center) and Canadian Prime Minister Pierre Elliott Trudeau ([to] his left) are flanked by police and large crowd as they stroll in St. James's Pa[rk]

Police Repel Demonstrators

400 Are Injured in Rioti[ng] Over Tokyo's New Airp[ort]

TOKYO, May 8 (AP).—Demonstrators opposed to Tokyo's new international airport hurled bottle grenades and stones at riot police today in a clash that left about 400 persons injured, one critically, the police said.

The fighting against about 4,000 riot police broke out after 3,700 demonstrators, mostly students, rallied to protest the removal Friday of two giant towers that airport foes had built to obstruct the runway.

The police reported nearly 300 demonstrators and at least 110 policemen injured, and 33 demonstrators arrested. Five of the policemen were hospitalized, they said.

The critically injured demonstrator was hit in the head by a police tear-gas shell, a rally spokesman said.

The new airport at Narita, 40 miles east of Tokyo, has been the scene of bloody clashes since 1970, with three policemen killed and more than 1,200 injured. Hundreds of demonstrators also have been hurt and more than 470 arrested.

Protest by Farmers

Farmers in the area protested the take-over of their land to build the new airport, intended to relieve congestion at the airport at Haneda. They were joined by students who contended that the new airport would be used for military purposes.

Although the $553-million Narita airport was completed in 1972, its opening has been delayed by other problems such as protests by neighbors over various proposed ways of transporting aviation fuel t[o the air]port.

With the fuel prob[lem] awaiting solution, a[...] caught the protesters b[y surprise] when they moved in Fr[iday with] a court order and tore [down the] runway-blocking tower[s. The] demolition was seen a[s] an effort to open the [air]port this year.

Stuttgart Airport P[...]

STUTTGART, May 8 [...] Demonstrators in trac[tors and] automobiles blocked ro[ads] to Stuttgart's airport [to] protest the planned ex[...] landing facilities.

The police said traf[fic came] to a halt for two ho[urs, with] about 500 vehicles bl[ocking] roads leading to and [from the] airport.

An airport spokesman [said the] demonstration did not [cause de]lays in air traffic. [...]sengers missed their pla[nes ...] others walked to the [terminal] building.

Carter He[...] Schmidt [...]

(Continued from P[age 1])

been troubled by the [...]ministration's nuclear [...]

Reliable Japanese so[urces said] that Mr. Fukuda had [...] meeting, which lasted [...] minutes, after taking [...]fense that four other [...] the U.S., British, Fr[ench and] West German—planned [...] into a limited round o[f ...] Monday, immediately [...] end of the summit mee[ting ...] haste of the schedule, [...] sources said, had ma[de ...] feel somewhat unwante[d].

According to Japanese [...] Mr. Fukuda old Mr. C[arter ...] development of nucle[ar ...] was a matter of life [...] for Japan, emphasizin[g ...] need for U.S. nuclear [...] obviously hoping that [...]ton would not hold [...] fuels because of any p[...] position to the Japanese [...] opening a plutonium re[...] plant in July. Mr. Car[ter report]edly said that he unde[rstood the] Japanese position an[d ...] to review the issue.

Another Japanese co[ncern re]portedly raised by M[r. Fukuda] was concern over U.S. [...] reduce the flow of Jap[anese tele]vision imports into t[he United] States. Japanese so[urces said] that Mr. Fukuda h[...] "anxiety" that a recen[t ...] by a U.S. trade commis[sion ...]ing $1.7 million in sur[...] Japanese television imp[...] violate international ta[...]ments. Mr. Carter pr[omised to] look into the matter.

On another issue, M[r. Carter] seemed intent on cou[...] U.S. pressure for Japa[n to take] a larger share of the i[...]ed world's trade defici[t ...] oil countries by letting [...] of the yen rise.

Japanese sources sai[d the] Premier asked Mr. Carte[r ...] he had not changed his [...]cy of economic stimu[lus ...] withdrawing his $50 t[ax rebate] recently, a sensitive pol[...] for the President. Ac[cording to] Japanese sources, M[r. Carter] replied that there had [been no] change in the U.S. dete[rmination] to hasten recovery of [...] economic system.

In a final bilateral [...] yesterday, Mr. Carter [had a] courtesy interview with [Margaret] Thatcher, leader of th[e] Conservative party.

مطابقة للأصل

—A Special Report—

INTERNATIONAL
Herald Tribune
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Special Report

FOCUS ON ITALY—1977

The Nation's Uneasy Political Balance Is Expected to Change — Into What?

By Chris Matthews

ROME (IHT).—The level of political violence in Italy usually accurately reflects the delicacy of the political moment. This time is no exception.

Periods of political tension here such as elections, referendums or government crises are almost invariably accompanied by a rash of bombings, arson attacks, kidnappings and, more recently, assassinations. And though no elections or crises are in the immediate offing, violence has been running unusually high in the past few weeks.

Such episodes include the killing of a student demonstrator in Bologna, the kidnapping of the son of Socialist leader Francesco de Martino, the assassination of the president of the Turin Bar Association, the abduction of the head of the law faculty at Rome University, plus bloody student riots—in the last of which two young police recruits were shot through the head, one fatally.

In the face of such events, some commentators conclude that the very foundations of Italian democracy are in imminent danger of collapse. Others, more cynically but probably more realistically, conclude that something politically very big must be going on.

Which does happen to be the case. In this spring of 1977, a shift in the uneasy political balance that has existed here since last June's general elections is about to take place. How major a shift? How substantial? These are questions yet to be resolved.

But there is no doubt that the stakes, for all concerned, are remarkably high.

Several Reasons

The reasons militating for a change in the status quo existing these past nine months are several. The minority government of Premier Giulio Andreotti needs fresh strength and a new mandate so as to switch from a defensive, day-to-day approach to problem-solving to a more constructive, longer-term strategy. The ruling Christian Democrat party has its own complex, internal motives. And the left, above all the Communists, seek change, both as their price for services rendered and as tangible proof that, contrary to much of the evidence, their policy of compromise with the ruling party is paying off.

The result of these combined pressures will probably emerge in the course of the next few weeks in the form of an interparty accord on the essential points of a new government program whose priorities will be the economy, law and order, and the student situation. Such an accord will most likely also be accompanied by a minor government reshuffle that, while leaving Mr. Andreotti at the helm, could also open the door of the Cabinet to a number of independent but basically pro-Communist "technicians"

None of this can, however, make much sense to the non-Italian reader without some reference to the underlying political situation and the results of last June's elections. Whatever course Italy is currently engaged in, and there can be any amount of argument on that score, last June marks the starting point.

A Compromise

The significance of the elections, which registered large Communist gains and lesser Christian Democrat losses, was that they created a situation in which, after more than 30 years, the Catholic, traditionally anti-Communist Christian Democrats could no longer govern without the parliamentary support of their historical enemies, the Partito Communista Italiano (PCI).

Overt support from the Communists was out of the question since the larger part of the Christian Democrat party could not agree to the PCI's formal entry into a governing majority, let alone the Cabinet posts which they would have demanded as their price for doing so. For a while it looked like a complete stalemate, until, of necessity, a curious compromise was born.

"No non-confidence". This tortured double negative sums up that compromise and some of its contradictions. Giulio Andreotti, the Christian Democrat best equipped to deal with "impossible" situations, was brought in to head a minority Cabinet supported in Parliament not by the votes but by the abstentions of Communist and Socialist deputies. As long as they refrained from voting against the government, it could carry on.

However clumsy-sounding, this arrangement in fact signaled an event of historical importance. The passage of the Communists from opposition into a sort of political no-man's-land that many, including the PCI itself, construed as an antechamber to power. In politics, everything has its price, and the price of the Communists' tacit support of Mr. Andeotti's Cabinet had to be their closer involvement in decision-making.

One Foot In

This mini-compromise, leaving the biggest Marxist party in the West with one foot in and one foot out of the Italian government, seemed to vindicate the cautious, step-by-step strategy for years pursued by party secretary Enrico Berlinguer, a strategy which he persuasively argued must inevitably, one day, lead to a full "historic" compromise, or governing coalition between Christian Democrats and Communists.

Who, last June, could contest the validity of this approach? And who can do so today, when the Communists appear on the verge of taking another step towards a full governing role? Yet, paradoxically, Mr. Berlinguer's arguments sound a good deal less persuasive today than they did nine months ago.

For much has happened in that time to indicate that, on this particular path to power, the real problems begin only in sight of the winning post. In concrete terms, the PCI has found that its switch from opposition to "passive assistance" has seriously weakened it, accentuating internal dissent, alienating both traditionalists and moderates. Objectively speaking, the result of nine months' tacit support of a Christian Democrat government is that today the Communists find themselves in deeper trouble than at any stage in the past three decades.

Unthinkable a year ago, Luciano Lama, Communist head of the giant CGIL labor confederation, has been booed and jeered by both students and workers in recent weeks. Policy statements and speeches by Mr. Berlinguer himself have fallen flat or gone largely unreported.

Betrayed

Traditionally the rallying point for protest, the PCI, now identified as irremediably part of the system and the establishment, has found itself on the receiving end of student dissent. Rank and file workers have felt their interests betrayed by their party's backing of the official government program of economic austerity. Intellectuals and theoreticians have raged at what they consider a sellout of Marxist-Leninist orthodoxy.

But, most important, many people who voted Communist last June not out of conviction in Marxist ideals but in the vague hope that this could somehow change things overnight, are now disillusioned that the miracle has failed to occur. For the PCI has found to its cost that being an opposition party and de facto members of the majority are very different things. That the formulation of clear policy objectives is a far more demanding process than a straight veto policy, and something which 30 years in opposition had left it relatively ill-equipped to deal with. Promised for early this year, a major package of economic proposals is still in the PCI works, and who knows when it will finally emerge?

A recent, still-secret report to the Christian Democrat leadership confirmed the extent of the PCI's difficulties. If general elections were to be held now, the report said, the Christian Democrats would increase their share of the vote by 4 per cent while the Communists would lose 2 per cent. And, although colored by local considerations, the results of recent communal elections at Castellamare di Stabia, near Naples, provided further evidence of the erosion of Com-

(Continued on Page 2-S.)

United Press International.

Student attack at the University of Rome in February.

Stabilization Needed

spite Huge Foreign Debt e Economy Bounces Back

By John Wickfeld

(IHT).—A consignment lt hats and some pairs of rs were what the Italian federation, Confindusve an Italian explorer s leaving for Tibet in e hats turned out to be come presents in Tibet, probably did little good alian hat trade.

years later, Italian intaking the export drive With the full support overnment, in the stocky Italy's internationally financial ambassador ntiary, Foreign Trade Rinaldo Ossola, Italian lists are forging their oss the globe to Iran, Arabia, North Africa and America, as well as in ditional markets.

bargaining techniques es cause headaches to ors, and the Italians so gained an advantage e 29-per-cent drop in rency against the dollar e start of last year.

l export growth last year ut in line with the in n world trade, meaning ly did not actually gain rket share, although it lose out as it has on ocin the past. For this year ernment is aiming for a increase in exports and n imports to help restore trade balance after last 4-trillion-lire trade def-

are signs that success on the way. Iraq has Italy $600 million worth trial contracts to help Italian oil imports. In state steel group Finbusy with plans for a steel mill, expected to for in oil. It will be sited ame location, at Bandar here another Italian conled by state-controlled d'Acqua, is building a port complex. In East an Italian company, recently snatched a major ll contract from under of a West German comSalzgitter, after it agreed payment in steel prodindustrial equipment.

Bounce

most needs to be emabout the Italian econperhaps its bounce. Italy et bankrupt, in spite of m worth of foreign debt, cent OECD study of the economy put the pesexpressed both here and about Italian prospects o perspective. If the govcan only get an effective tion program into action, measures accurately t reducing inflation, the will be able to resume n a fairly short space of tead of suffering a long f stagnation.

ear, instead of limping the recession licking its the Italian economy back with an unexpecth growth rate of 5.6 per is more than compensated 3.7-per-cent drop in 1975, year the economy is exo expand by at least 2 . Some private forecasteven predicting growth high as 3.5 per cent. e push in the first few of the year that has been over from late 1976.

rowth for the moment is the expense of a high of payments deficit. Last ly had a current account s deficit of 2.4 trillion l up on 1975's 361 billion icit, although only half s shortfall of 5.2 trillion. his year the government inally aiming at a modest sufficient to pay back Italy's foreign debt. The ng high growth rate in few months of the year ed it to lower its sights. rent payments this year bably only be in balance. next year the government mised the IMF it will or a one-trillion-lire sur-

Above Means

government has realized nation can live forever it. Italy is living above ns, Dr. Ossola said in an important policy speech last autumn. "Asking for new loans from our better-off industrial neighbors is like telling the workers of West Germany to work harder while their Italian counterparts are slacking."

To the balance of payments is allied not only Italy's debt repayment but the strength or weakness of the lira and the chances of success in the fight against inflation. The cost of living in Italy is still rising considerably faster than in other major industrial nations, at an annual rate of over 20 per cent. For 1977 the government aims to bring it down to 16 per cent and in 1977 it has promised the IMF it will reduce the inflation rate to 8 per cent.

Part and parcel of the fight against inflation is the government's attempt to achieve agreement with unions on wage limitation. Last year industrial wage costs rose an average 22 per cent in Italy, outstripping the rise in prices by five percentage points. This year they were originally forecast to rise by 27 per cent, with potentially disastrous effects for prices and for the Italian currency. In the event, prodded by the IMF, the Italian government has stepped in with a 1.4-trillion-lire package of subsidies, which together with a productivity agreement between unions and industry, will hopefully reduce the rise in labor costs to 16 per cent.

The government has succeeded in getting the unions to agree to some minor modifications in Italy's Scala Mobile wage index, identified by many national and international analysts as one of the main factors in Italian inflation. Changes in the Scala Mobile index's shopping basket of components, knocking out the effects of newspaper, electricity and public transport price increases, will offset the rise in the index caused by the indirect tax increases introduced to finance the labor cost subsidies.

But the government clearly set out its position, in its letter of intent to the IMF to back its

(Continued on Page 4-S.)

Loans, Controls, Help to Shore Up a More Stable Lira

By John Wickfeld

The lira has been through hard times since it was pulled out of the European Currency Float in February 1973. A heavy trade deficit, high inflation and political and economic instability have all contributed to undermining confidence both in Italy and abroad in the Italian currency.

Illicit capital exports have robbed Italy of an estimated 30 billion dollars in wealth invested abroad, in Swiss bank accounts, yachts in the Cayman Islands and other convenient havens. "We're almost in South America," is one foreign exchange dealer's embittered comment. The market barely seems to react to the latest upsurge of political and civil violence any more. "It's got used to its three kidnappings a day and one policeman shot every week."

Foreign exchange dealers tend to be pessimistic as a profession. But the lira has certainly seen some stormy moments in the last 18 months. Since the start of last year it has lost 29 per cent of its foreign exchange value against the dollar and Swiss franc and 42 per cent against the German mark.

Harsh Exchange Control

Treasury Minister Gaetano Stammati made his own contribution to a decades-old debate recently, when he said the government might soon push for currency reform in Italy along the lines of reforms introduced in France and other European countries since the war. The project would be to create a New Heavy Lira equal in value to one thousand of Italy's present lire and equivalent to just over a dollar, to shore up the currency's declining prestige. With one lira in Italy at the moment the shopper can purchase absolutely nothing.

To protect the lira on the foreign exchange markets the government last year had to impose a series of harsh foreign exchange controls that sorely angered Italy's EEC trading partners. Only last October currency dealers were complaining bitterly to the Bank of Italy that the lira had been made practically inconvertible, like the ruble and other currencies of Eastern Europe, by the battery of exchange controls.

Now these controls have at last been lifted. The arrival of the summer means an end to Italy's heavy winter imports, and the start of currency inflows from foreign tourists. Until the autumn, the outlook is for reasonable exchange rate stability for the lira.

The project would be to create a New Heavy Lira equal in value to one thousand of Italy's present lire and equivalent to just over a dollar to shore up the currency's declining prestige.

For the government this exchange rate stability comes as a welcome relief. On April 15 the final tranche was lifted of the non-interest-bearing lira deposit importers had been required to pay on currency purchases, all but a year since it was first introduced on May 5 last year.

Instead of dropping below 900 to the dollar, as had been widely feared, the lira has held stable at around 887 to the dollar for over a month, aided by the daily intervention of the Bank of Italy. Since Easter, the Bank of Italy has been able to add a couple of hundred million dollars to its reserves, through currency purchases on the open market. Some dealers are forecasting that the lira will even firm upwards by 10 points or more during the favorable summer season.

Italy imports nearly all of its energy needs and it also has a sizable deficit on food imports. Last year oil imports alone cost Italy 6.7 trillion lire, which was well above the country's total trade deficit of 5.4 trillion lire. Each percentage point rise in the price of a barrel of oil adds another $100 million to Italy's balance of payments deficit. It also contributes to an inflation rate which boomerangs back again through wage indexation into a further weakening of the lira.

Oil importers account for around half of daily trading volume on the Italian foreign exchange market, under normal circumstances. But in times of crisis trading volume can rise to double or triple the average $70 million as the Bank of Italy knows to its cost when it has had to dole out dollars to panicking importers.

In the first 20 days of January 1976 the Bank of Italy spent over $500 million in defense of the lira. On January 21 it announced the closure of the official exchange market and said its reserves had fallen to an emergency minimum of below $600 million.

In the months that followed, one emergency measure followed another as the lira lost ground and political confusion in Italy grew. From 687 lire to the dollar on January 20 the Italian currency fell to 880 in March 1976 and to a low of 916 on May 5. Meanwhile negotiations with the International Monetary Fund for a new loan to Italy, started in January, faltered and then finally petered out in the nervous run-up to the premature general elections called for June 20, 1976.

IMF Loan

The Italian government has finally got its IMF loan, worth around $530 million, more than 15 months after the initial request was made. Currency reserves now stand at about three billion dollars, and are soon to be increased further by loans from both the IMF and the EEC. At this level dealers consider them to be well sufficient to defend the lira against any new sudden onslaught. And the lira is still well protected against purely specula-

(Continued on Page 3-S.)

Energy Imports Are a Major Drain on Economy

By John Earle

ROME (IHT).—For a country dependent on foreigners for over 80 per cent of its energy needs, Italy ought to be worried. About 70 per cent of the total, moreover, is provided by oil, mostly imported at heavy expense to the balance of payments. The rest is divided between natural gas, solid fuel, hydroelectric, geothermal and—still to an infinitesimal degree—nuclear energy.

Such is their character however that the Italians are accustomed to muddling along rather than worrying. And muddling along has shown that consumption of petroleum products has been running 5 per cent below 12 months earlier. If the trend towards economic recession persists, the 1977 consumption of energy may fall short of the forecast increase on the 1976 level of 139 million tons of oil equivalent.

A steady annual rise in demand for energy has been predicted in the draft National Energy Plan drawn up by the Industry Ministry in mid-1975; of 6.4 per cent per annum till 1980 if one accepts a higher growth hypothesis, or of 5 per cent in the less optimistic view. Thereafter, from 1980-85, it foresees an annual increase varying between 7.5 per cent (high) and 4.6 per cent (low). Total consumption of energy should rise (in millions of tons of oil equivalent) from 133.5 in 1975 to 174.8 or 185.8 (low or high rate) in 1980 and 219.8 or 262.7 respectively in 1985. These figures may turn out to be wishful thinking, but at least they give planners something to argue about.

Sour Market

Most of gas requirements and 31.4 per cent of the market for petroleum products are supplied by the state-owned corporation ENI (Ente Nazionale Idrocarburi). The international oil companies are no more popular than multinationals anywhere, and are often accused of compiling their books so that the Italian subsidiary shows losses while profits accrue to the parent. Seen from their point of view, however, the market with its low government-fixed margins has turned sour, while there is no longer the same attraction in maintaining Italy, thanks to its geographical location, as the biggest refiner in Europe.

British Petroleum and Shell decided to pull out soon before the Yom Kippur war of 1973, the latter being absorbed by ENI and renamed Industrie Petroli. Esso, No. 2 in the Italian market, no longer reports profits, but despite speculation has not so far shown signs of leaving Italy.

ENI has lost some of its dynamism since its founder, the late Enrico Mattei, in 1952 challenged the international majors with his participation deals with Iran and his flirting with the Soviet Union. Its chairman since September 1975, Pietro Sette, a Bari lawyer and associate of the Christian Democrat leader Aldo Moro, is more cautious and hesitated for some time before carrying out a needed reorganization of its main operational subsidiary, Agip.

ENI's weakness as an oil company has always been that it lacks oil. Domestic crude production last year was still only about one million tons. Its Po Valley and Adriatic offshore gasfields are also limited and, under present plans to restrict annual output to about 15 billion cubic meters, will last only 14-15 years.

Isolated Event

Hopes of something big were raised in 1974 by a strike at Malossa near Milan, under the doorstep of the country's main manufacturing area, although the oil and gas bearing strata lie deep, at about 5,500 meters. Malossa's reserves are estimated at 40 million tons of good quality oil and 50 billion cubic meters of methane. But, though exploration

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Unions' Dilemma: Protect Past or Defend Longer-Term Interests

By Chris Matthews

ROME (IHT).—The year 1977 may well turn out to have marked a watershed in the history of the Italian trade union movement. The dramatic nature of the country's economic crisis has forced on the unions a whole series of unprecedented problems whose solution, though never simple and often lacerating, may after all open up on wide new avenues.

The root problem the unions have had to face over the past nine months is the following: Where, in a time of crisis, does their first responsibility lie: in the tactical defense of previously-conquered positions, or in the strategic defense of longer-term interests implying, in some cases, withdrawal from established strongholds?

Impaled on the horns of this dilemma, Italy's labor leaders have never looked less comfortable than in the past few months, facing heavy fire from both the left and the right, and slipping into self-contradiction. And though the experience has severely shaken the movement, it does hold out valuable lessons for the future.

"Two years ago, when British Leyland announced they would have to make 3,000 workers redundant or pull out of their Innocenti plant, I immediately rushed off to Milan to defend those jobs," says Luciano Lama, Communist leader of the giant Confederazione Generale Italiana del Lavoro (CGIL). "Now I'm not so sure I would do the same."

Not Synonymous

The difference between then and now is the awareness that has grown up in the intervening period that the maintenance of individual jobs is not necessarily synonymous with the maintenance of employment levels in the context of the overall economy. Industrial reconversion and labor mobility are some of the concepts now finding growing acceptance at the top levels of the union movement, if not quite yet on the factory floor.

This focal shift from the short to the medium and long term is of course not fortuitous. For the key factor conditioning the course of labor relations since last June's general elections is the move by the Italian Communist party (PCI) to tacit informal membership of the governing majority after 30 years of opposition.

The PCI's endorsement of the deflationary policies of Prime Minister Giulio Andreotti's government, the result in part of conviction and in part of political expediency, has been reflected in the unions' acquiescence to a series of harsh austerity measures. Yet despite the bitterness of the economic medicine being meted out, the last nine months have marked a period of almost unprecedented calm on the labor front.

Not that all has been plain sailing. The union leadership's assent to austerity as the only practicable economic course has strained to near breaking-point its relationship with the shop-floor base of the union movement. A recent congress of dissident unionists held in Milan grouped the representatives of more than 400 works councils. Among the accusations leveled at the union leaders were "Taking the workers for a ride" and "Class collaborationism."

Shock Waves

The shop-floor backlash sent shock waves reverberating throughout the union movement, and beyond the union ranks through the Communist party itself. The immediate consequence, manifest at the time of the IMF negotiations in March, was a hardening of positions in defense of rights and privileges considered, rightly or wrongly, as basic.

The negotiations for a $350-million loan that, by demonstrating Italy's creditworthiness to the world, would hopefully open the way to several sources of more substantial finance, placed the unions in a very curious position. Debate over the conditions of the loan, which by rights should have taken place at the political level and in Parliament, was delegated to the bargaining table over which the government and the union leaders met. For neither the ruling Christian Democrats nor the Communists were willing to risk a confrontation that might upset the reigning, fragile political balance over such a delicate issue. Thus did the unions win a first-hand role in the formulation of economic policy.

The chief bone of contention in the government-union negotiations was the IMF's demands for a modification of the Italian system of wage indexation, which guarantees that any increase in the cost of living is made up for every three months by a corresponding increase in the national wage bill. How, the IMF delegates asked, could the Italian government hope to beat inflation as long as wage indexation continued to build inflation into the system?

A fair enough question. But under pressure from the shop floor, the union bosses had to proclaim that the index was not to be tampered with. And when they did agree to some minor modifications of the indexation mechanism—enough, however, to satisfy the IMF—the deal was greeted with fury by the rank and file. Yet the main problem, which resides in the fact that Italian industry faces some of the highest, and fastest growing, labor costs in Europe, remained substantially unresolved. The government's previously announced decision to offset part of these costs through an increase in indirect taxation can only be a palliative.

Having fallen between these two stools, it subsequently became apparent that the union leadership may have come a cropper between a third. Concentrating hard on the defense of the Scala Mobile, or wage index, they failed to raise so much as a finger in protest at the stringent norms which the IMF letter of intent will impose on Italy in the next two years, setting drastic limits on the expansion of domestic credit and on public spending.

The IMF negotiations illustrate the serious difficulties confronting the labor movement, some of which take the form of irreconcilable objectives, others of responsibilities, which the Unions were never designed to take on. Another intractable problem is how to simultaneously meet the demands of an estimated 1.5 million unemployed, who want jobs, and the demands of those union members who want their jobs safeguarded and their employment conditions improved.

A Side-Effect

"Crises exert a disunifying force," Luciano Lama remarked recently. "And the crisis through which the country is passing cannot but be reflected in the union movement."

One of the side-effects of the crisis on the labor world has been the considerable eclipse of Mr. Lama himself. Once the front-running union leader, his faithful execution of the PCI's cautious, moderate policies have sent his charisma dipping. What would have been unthinkable only a few months before happened in March at Rome University, when Mr. Lama found himself being booed and heckled by protesting students. He had to beat a hasty retreat as the brickbats started flying.

Mr. Lama's fall from grace has been accompanied by the meteoric rise of Giorgio Benvenuto, recently appointed Socialist secretary of CGIL's sister confederation, the Unione Italiana del Lavoro (UIL). Politically less inhibited than Mr. Lama, Mr. Benvenuto quickly made his name as the more combative of the two, managing to impose his views as the official policy of the union movement as a whole. Yet Mr. Benvenuto, too, has had his share of troubles with the shop floor.

"The workers have been the first to make the sacrifices demanded by the government's economic policies," Mr. Benvenuto says. "It may be that rifices will be needed. is no question of o them without first s tangible results comin sacrifices we have alre

Seven Holi

"We have faced up sponsibilities," Mr. Ben tinues. "But others shirk theirs."

He accuses the gov having no coherent ec gram, of running the a day-to-day basis. example of the seven days which workers response to governme for increased producti see Fiat laying men of work a few weeks

His conclusion: T government can exp little further assistanc He does not want t break cabinets, but or government with a majority and a clea economic program can crisis from worsening

It remains to be se the union leadership, ent bitter mood and increasing dissent fro floor, will be able or ing to stand by its p to the government Confederation of Ita tries, of keeping a lim ly 6 per cent on wage year. The answer is unless the governmen onstrate—which it has that it is doing somet prices.

But again, the situati in contradictions. I avoid having to bar such questions as inve reconversion, some em been giving, unsolicite of 10 and 15 per cent

Clearly, there is so that some attempts w to exploit the curre dictions and divisio labor movement, to existing rift between and unemployed, stu workers, the shop flo base. At the same before have Italy's so deeply involved in sions that will det shape of Italian soc row. All this is cause tion, concern, and ho

Nation's Uneasy Political Balance Is Expected to Change

(Continued from Page 1-S.)

munist strength. The PCI there lost nearly 13 per cent.

All these elements have an important bearing both on the present situation and its likely consequences. The PCI, unable to deny that its compromise policy has had serious negative effects, needs tangible results to offset these and demonstrate that power, not a blind alley, lies at the end of the road. It needs to be seen to be taking a new step ahead to convince a growing body of doubters that the step-by-step approach leads forwards, not back. Concretely, it needs a formula giving it closer involvement in government. At the very minimum, it needs the inclusion of someone like Luigi Spaventa, professor of economics at Bologna University and a respected Communist sympathizer, though not a member of the party.

From the Christian Democrats' standpoint, things are even more complicated. Sources close to Mr. Andreotti confirm that he would personally like to see Mr. Spaventa in his next cabinet, a move that would, by broadening his power base, substantially increase his room for maneuver in the areas he wants to tackle next: economic programming, development and social reform. But would international opinion understand such a step? Would his party uphold such a move, particularly at a time when the PCI's manifest difficulties must reinforce the minimalist faction among the Christian Democrats and make any opening to the left substantially more difficult?

What Effect?

While the evidence of the polls is that there is no reason for the ruling party to make any but the most minimal concessions to the Communists, another consideration that has to be taken into account is what effect intransigence at this stage would have on the PCI. The short answer is that it would probably precipitate a crisis leading to a far-reaching revision of the moderate Berlinguer line. Is it in the interests of the Christian Democrats, or indeed of the West as a whole, to obtain such a result?

Within these parameters, the veteran chairman of the Christian Democrat party, Aldo Moro, has returned to the political scene to take charge of a negotiation whose complexity can only be matched by its delicacy. His problem: How to replace a precarious status quo born of a political impasse with a more durable formula for government, while simultaneously convincing the Communists that they have gained something, and the Christian Democrats that they have given nothing away.

But Mr. Moro, the architect of the Socialist-Christian Democrat "center left" alliance that provided most of Italy's governments for over a decade, is no stranger to this kind of situation. If anyone can pull off this feat, he can.

Nevertheless, there is no underestimating the difficulty of his task. And should he fail to overcome his own party's intransigence, experts predict a two or three-month "pause for reflection" that would leave the government, and the underlying situation, unchanged until at least the summer vacation period.

Should he succeed in hammering out a compromise formula, then a reinforced "Andreotti Mark II" Cabinet would be set up with a view to its lasting at least until December 1978, the date of the next presidential elections. These should go a long way to clarifying the political situation and it would be hoped, with most major economic problems out of the way by then, a new round of general elections could safely be held sometime in 1979.

It is in the nature of compromises that they enable the parties to them to claim their share of success. But, even assuming that the Communists get their "technicians" into the next government, who would really benefit in the long run?

If one accepts the Berlinguer line and the explanation of the PCI's present troubles as the consequence of a basically ambiguous political situation, then some clarification of this ambiguity must help the PCI over its difficulties both in the short and long term.

If, however, one accepts at face value present evidence that the closer involvement of the PCI in government with the Christian Democrats results in weakening them, then any such compromise as is in the offing begins to take on a different coloring. One has only to consider that the Italian Socialist party was virtually wiped off the political map as a result of more than a decade of alliance with the ruling party. *L'Abbraccio mortale*, they call it here. The deadly embrace.

There is of course no simple answer, though it is difficult to see the Communists' problems being resolved overnight by the inclusion of one or more sympathizers in the next government.

But the fact remains that, just as as nine months ago, there is little alternative to compromise and to concensus. The Communists, by returning to opposition, have the power to make the country ungovernable. The Christian Democrats, by calling early general elections, have the power to inflict a heavy defeat on the PCI. But neither party is willing to venture into such a hazardous trial of strength, all the more so as it would resolve very little.

Some theorize a solution that would offset any concessions made to the Communists with the entry of some moderate right-wingers from Republican and Social Democrat ranks into the next government. But whatever the shape of the compromise, some difficult days seem to lie in store for the Communists, and for the Christian Democrats as well. The transition from one stalemated situation to another cannot but be difficult, and Italian politics have seldom been less simple than they are today—as evidenced by the violence in the streets.

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ernment Not Living Up to Critical Promises in Banking Reform

hn Earle

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ists took the issue to the streets, plastering posters this spring on the walls of Rome: "The Communist party is fighting against the old practices of under-the-counter government, so that the interests of the economy and of the country's development shall prevail. Appointments must accord with clear criteria of competence and correct management. Enough with sharing out jobs! . . ."

The main targets of the Communists were Banco di Sicilia and the Casse di Risparmio or savings banks. The chairman of Banco di Sicilia, biggest in the island, is by law appointed by the Treasury minister, after consultation with the Sicilian regional government. The terms of the chairman and the board members expired seven years ago, but they simply continued in office, as if the situation were not irregular. When, after prodding from the opposition, the government tried to act, matters were held up for months because no agreement could be found between the Christian Democrat Treasury minister in Rome and mutually quarrelsome Christian Democrat factions in the island.

Savings Banks

The savings banks present much the same picture. There are 89, of which 69 have a Christian Democrat chairman, five a Social Democrat, three a Socialist, two a Liberal, and one a Republican, with the others either independent or temporary non-party government commissioners. During the spring the government renewed a few appointments, while a few others expired, but on balance about 50 have expired. In other words, the opposition could argue that the greater part of the Italian savings bank movement was under irregular Christian Democrat leadership.

These are the latest among a number of controversial events affecting banking. In an earlier case, it is still uncertain how far Banco di Roma (one of the Big Three of the state-owned IRI group) committed itself in the fall of the empire of Sicilian-American financier Michele Sindona. It took over his main Italian bank, Banca Privata Italiana, later put into liquidation, and various others of his assets, but the extent of its involvement has not been made clear and is being argued over in legal proceedings brought by Mr. Sindona, whose extradition the Italian government is seeking from the United States to face charges of fraudulent bankruptcy.

It was a Sindona bank, Banca Unione, which focused public attention on the practice of "black" interest rates, as they are called in Italy. Since interest granted on deposits is not publicized but is subject to negotiation, an important client can extract a higher rate, with the odd extra per cent or two remaining secret and possibly going into somebody's pocket. The deposits mentioned in the Banca Unione allegations were placed by people connected with a Sicilian government agency, a parastatal holding company, and a public housing corporation. But the practice has been undoubtedly much more widespread.

Open to Criticism

Besides individual cases, a number of general practices lay themselves open to criticism.

1.—A basic one concerns what happens to family savings, which are accumulated at a rate as high as any in Western Europe. Private savers, despite successive promises from Christian Democrat governments, have never been encouraged to invest in stocks and shares, but the bourse has been allowed to become a preserve for speculators. Even then, of the small (by international standards) number of bourse dealings, it is estimated that four-fifths are handled not by stockbrokers but by banks.

The small man is attracted to putting his money into a local bank, especially a savings bank, or into a post office deposit account. Post office accounts should provide a flow of funds to the Cassa Depositi e Prestiti, a division of the Treasury Ministry, whose task is to relend to local authorities. Only, for years the policy of Treasury ministers was to keep post office interest rates low, so that the saver preferred to deposit his money instead with the local savings bank. In any case, a part of what did flow into the Cassa Depositi e Prestiti would probably be taken by the Treasury anyhow.

Local authorities, starved through the normal channels, thus had to turn to the politically orientated savings or other banks for their funds, paying interest which recently has been above 20 per cent. Local authority indebtedness has in consequence got out of hand. This has in turn forced the government to consolidate short-term local debts, substituting them with special government paper which is to bear lower interest. This may result in a difficult year for some savings banks, which instead of 21-22 per cent on their loans may receive about 15 per cent on the government paper.

2.—An anachronism is that, as in the days of the Roman Empire, the government farms out tax collection to banks and, in some cases, private companies, who take a commission varying from area to area. For example, tax collecting in Rome is in the hands of Monte dei Paschi di Siena, which thus earns useful revenue at little risk.

3.—A common criticism is that the difference in interest rates between those paid on clients' accounts (current as well as deposit accounts are remunerated) and those received on lending are too high. The difference may easily be seven percentage points, and in early 1975 was as high as nine. The banks reply that in no other country do they have to meet such high reserve deposit requirements with the central bank, and the difference is essential to ensure a profit. Nevertheless this adds to the impression among public opinion that the Italian economy is increasingly a parasitical one, in which the losses come from productive industry, and the profits from a range of low-risk financial activities.

4.—A field open to abuse is that of concessional credits. At the end of 1974, for example, one third of all medium term credit outstanding was at concessional rates. Concessional loans are granted not automatically but at the discretion of government or the authorities, and the suspicion is often voiced that these have been given not on economic grounds alone. Considerable differences exist between the apparent ease with which some firms obtain soft loans, and the delays and obstacles encountered by others.

The system of concessional credits functions through the medium-term credit institutes. Under the 1936 banking law, a distinction was made between the commercial banks, entitled to lend short term (up to 18 months) and the credit institutes for medium and long-term lending. Commercial banks, moreover, were not allowed to possess industrial shareholdings, so as to avoid the errors of the Depression, when leading banks with extensive industrial holdings were nearly overwhelmed in the early 1930s. The distinction between short and medium lending is in fact got around both by banks rolling over loans and also by setting up subsidiary credit institutes which can lend medium and long term.

There are about 80 credit institutes, among them Mediobanca (founded by Banca Commerciale, Credito Italiano and Banco di Roma), Istituto Mobiliare Italiano, Isveimer (for investment in the Mezzogiorno), Crediop, Icipu, Mediocredito Centrale, and so on.

Critics maintain the banking system has a sclerotic structure, and virtually no new banks have been authorized in the last ten years. The Bank of Italy has wide powers of supervision over all banks. These are divided into different categories, with varying authority to operate either nationally or within certain territorial limits.

Foreign banks are still only a handful, and are not encouraged to compete actively for private deposits. As long as the present form of government lasts, it is unlikely that this rather rigid system will be thrown open to the winds of aggressive competition. That is something which, strange as it may seem, the Communists are foremost in wanting to see.

Loans and Controls Help to Shore Up a More Stable Lira

(Continued from Page 1-S.)

tive attacks by penalties on operators selling lire short.

With the aid of Italian banks, firms in Italy have been borrowing heavily abroad, helping to finance Italy's balance of payments deficit and at the same time finding a way around the tight domestic credit squeeze imposed as one of the conditions for IMF credit.

Soon the government itself is thought likely to announce some form of international financial market borrowing, probably to assist redevelopment of the earthquake stricken Friuli region or to finance the state nuclear energy program. The re-emergence of Italy as a world financial market borrower, after several years of exclusion of the "Italian risk," has only been made possible by the seal of approval set on official economic policies by the IMF loan negotiators.

To get the IMF loan the government has had to promise not to resort for the next few years to any of the foreign exchange restrictions of the 1976 crisis period that so angered Italy's trading partners. This excludes, for example, both the prior lira deposit with the Bank of Italy which importers were obliged to pay on all currency purchases as from May 6, 1976. The last 10-per-cent deposit requirement was finally abolished on April 15, after the gradual reduction since last autumn of the size of the deposit, which had started as 50 per cent of all purchases.

Amnesty

The promise to the IMF also rules out anything resembling the tax on currency purchases introduced last October, first at 10 per cent and then at 7 per cent, as a new way of curbing importers' demand for currency. From now on the Bank of Italy is required to let the lira find its own way on the foreign exchanges, limiting intervention to what is necessary to smooth out short term disruptive fluctuations.

In addition the government is pledged to maintaining the competitive pricing of Italian goods on foreign markets. Italian inflation is still at over 20 per cent. The government target is for 16 per cent this year, still well above inflation rates in other major trading nations, and it is a reasonable bet that this will have to signify a further modest decline in the lira once industrial imports resume in a big way this autumn.

A general amnesty on repatriation of illegally exported capital brought home around $600 million last autumn, but this was only a small proportion of the estimated total of capital illegally held abroad. For the time being the black market dollar rate is only marginally higher than the official rate, and the Bank of Italy has the satisfaction of considering that the drain on national resources from currency smuggling has come to a halt. The Italian customs police have stepped up their fight against currency smugglers, who were legally branded criminals by a law introduced last year. But the queues of Italian-registered cars in Lugano following the recent closure of the Weisscredit Bank there demonstrate that it is hard to change a national mentality overnight.

The latest outbreaks of political and civil violence have not upset the lira market, buoyant with the summer inflows of tourist and export funds. Record numbers of foreign tourists visited Italy over Easter, Premier Giulio Andreotti triumphantly told a business audience at the opening of the Milan Trade Fair earlier this month.

Last year tourism netted Italy 1.5 trillion lire in foreign exchange, 52 per cent more in lira terms than in 1975. This year the hordes from the hard-currency nations of the north are expected in even greater numbers to take advantage of cheap Italian sun and wine.

Yet foreign tourism, like the lira, is a fragile affair, and there are many hotel keepers and tourist operators who are crossing their fingers that foreign visitors will not be put off at the last minute by adverse publicity on such things as the Seveso pollution disaster, the soaring kidnapping rate or Italy's notoriety for petty larceny.

At day-to-day levels the Italian economy operates on a hilarious, or frustrating, form of paper-chase. The fish on the back of the five lire coin, Italy's smallest, is so rare a species as virtually to have disappeared from the monetary system. Ten lire's worth of change as often as not comes in the form of a candy, if at all. From 50 lire upwards, the equivalent of just over five U.S. cents, the consumer has entered the realm of dog-eared IOU's issued by banks to their clients and then circulated around Italy in the place of elusive small change.

At the international level Italy's foreign debt has now reached $18 billion, and it will cost around $1 billion this year in interest payments alone. Of this debt total $4 billion consists of short-term borrowing abroad by Italian banks to finance their Italian customers. About two-thirds of this latter amount represents advance finance on export income. But the other third is in potentially more unstable currency borrowing to evade the high cost of Italian credit and the harsh lira credit squeeze.

The lira can only really be stabilized when the government has succeeded in bringing the whole economy back to stability, as it aims to do under the terms of its IMF loan agreement. The dismal predictions of a lira worth 1,000 to the dollar some time this year have so far not come true. When they do so, wags suggest, the government will start seriously thinking about a currency reform along the lines set out by Mr. Stammati. For the moment the project remains on the Bank of Italy's drawing board, and one lira is worth literally nothing.

Exporting Technology to Balance Imports

By James March

ROME (IHT).—In the last few months there has been a frenzy of Italian diplomatic activity in the oil-producing countries of the Middle East with senior government officials—and indeed a number of ministers—visiting Libya, Iran, Iraq and Saudi Arabia, to name just a few of the oil states. For Italy, this type of diplomatic activity is essentially something completely new. It has, in the past, regarded the Arab world as an area, in the words of one member of Parliament, "where it's best to keep one's nose out." And as late as 1975, Italy had only two official representatives for an area that included Kuwait and the Gulf Emirates.

This new departure of Italian diplomacy is easily explained. With an overall trade deficit last year of 5,402 billion lire compared to 2,333 billion lire the previous year, the Italian government has decided to step up its drive to promote Italian goods and services in the new markets of the Middle East. Its recent initiatives, which include visits to oil states by Foreign Trade Minister Rinaldo Ossola and Industry Minister Carlo Donat Cattin, have sought to reduce the heavy distortions on the trade balance caused by the country's rising oil bill, which last year alone amounted to about $10 billion.

The concept Italy is proposing to the oil states is a simple one. In exchange for oil, which Italy with practically no resources of its own needs to import to the tune of some 90 million tons annually, Italy would provide technology, know-how, goods and services. This barter principle, however, has already been elaborated to include joint ventures like the proposed refining and distribution company the National Iranian Oil Company (NIOC) and the Italian state hydrocarbon group Ente Nazionale Idrocarburi (ENI) are planning to set up.

Although still subject to approval by the two governments, the venture is expected to represent a major breakthrough. By taking a 50-per-cent stake in the new company, Iran will acquire equal interests in ENI's European and African refineries and some 2,000 distribution points in more than 20 countries. It will thus make Iran the first oil-producing country to enter into downstream operations internationally.

At the same time, it will guarantee ENI a major chunk of its oil requirements on a long-term basis and at a favorable price. If the deal goes through, it will also mean that Iran will invest a large share of its profits from the joint venture in Italy by buying Italian goods and services.

More Ventures

The proposed venture between ENI and NIOC is a variation on the theme of recycling petrodollars of which the deal at the end of last year between Fiat, Italy's largest private enterprise, and the Libyan Arab Foreign Bank is perhaps the most celebrated case. In spite of the apprehension which followed the announcement of the deal, which sees the Libyans take an initial 9 per cent stake in the Turin-based car group, as a result of Libya's somewhat erratic political record of the last years, it was largely welcomed in Italy. The Foreign Trade Minister, Mr. Ossola, recently said that he hoped the Fiat-Libya deal, which involves a Libyan investment of more than $300 million, would generate more ventures of the kind.

In effect, he pointed out that oil-producing countries had revealed a limited capacity to increase their imports from the West, and it had therefore become essential, at a time when consumer countries were finding it difficult to increase their indebtedness, to find rational formulas to recycle petrodollars. Italy alone, he added, had to contend with an oil deficit of some $4 billion a year with Arab League member states, which effectively represents about half of the country's overall trade deficit.

The president of Fiat, Giovanni Agnelli, has repeatedly said that he believed his company's agreement with the Libyans would strengthen the ties between the industrial and the developing world. The Libyans, by taking what effectively is the second biggest single stake in the Italian group, have in fact bought themselves a major presence in the industrial world. They have guaranteed themselves a productive base to channel their surplus cash from their vast hydrocarbon resources.

Fiat, for its part, has not only secured badly needed funds to guarantee its ambitious program of long-term investments at a time when it is becoming increasingly difficult to find such funds on the severely restricted Italian money market, but also an outlet in the new markets of the Middle East.

Mediterranean Vocation

Mr. Agnelli has stressed the need for Italy to develop a Mediterranean vocation and to look towards the countries of the southern and eastern shores of the Mediterranean as a source of future development rather than towards the traditional markets of industrialized Europe, where Italian products have increasingly become less competitive.

The reason for this fall in competitiveness can be found in Italy's rising labor and money costs, which in the case of labor are now the highest in Western Europe. Italian labor costs, as a result of the inflationary effect of the country's automatic wage index system, the so-called Scala Mobile, are now of the order of about 40 per cent, while the cost of money, for short-term borrowing, has reached peaks of more than 20 per cent.

The Fiat-Libya deal could have even wider repercussions. It has been widely suggested that the deal could result in the creation of a triangular-type trade system between Italy, Libya and the Soviet Union, where Fiat is involved in the huge Togliattigrad motor manufacturing plant. The triangulation would work out as follows: Libya, with its financial surpluses, could provide the necessary funding for Italian technology and know-how to the Soviet Union. Indeed, a top-level Moscow delegation headed by the Soviet trade minister visited Rome just after Easter to seek new export-credit lines to finance Italian exports to the tune of $650 million.

These export credits are crucial for Italian companies to continue selling to the Soviet and East European markets, where they have had a substantial presence since the war. But at present the Italian government, which after months of negotiations only recently secured for itself a $530-million standby credit from the International Monetary Fund, is unlikely to be able to provide the necessary export funding required by industry. However, the government is now proposing to change the current export-credit system by speeding up the process, increasing insurance coverage and grouping the system under one body rather than leaving it fragmented among several government agencies as it is at present.

New Markets

For years, in fact, Italian industry has been complaining that they have not been given the sufficient government back-up to promote exports as, for instance, many other rival industrialized countries have. Nevertheless, Italian enterprises have scored notable successes in the new mar-

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The Economy Bounces Back

(Continued from Page 1-S.)

recent loan request, that those modifications are not enough. The OECD as well has clearly stated that Italy needs less indexation in its economy, and the issue of wage indexation is bound to be a source of continuing confrontation between government and unions.

Economic Ills

The list of Italy's economic ills is a long one.

Italian agriculture is in many areas backward and inefficient. Farm production has doubled in the past 10 years, but Italians' consumption of food has tripled. Last year Italy had a deficit on agricultural trade of 3.5 trillion lire, equivalent to two-thirds of the country's entire trade deficit.

Public administration and public finances are in sore need of reform. The government has undertaken to reduce the public sector deficit, in proportion to total national output, as fast as it can. It is making a start with plans to prune the dead wood in the proliferation of state "enti," public entities, many of which have a name, a payroll and employees, but do next to nothing.

Urban planning is inefficient, and the country lacks schools, hospitals and low-cost housing, and the money to pay for them. The gap between rich and poor, and between northern and southern Italy is a perpetual indictment of three decades of Christian Democrat rule.

All these key problems and the crucial questions of employment and investment are the subject of constant and continuing bargaining and discussion between the government and opposition parties, between industry and unions. But progress is made only extremely slowly. Large sectors of industry are operating with out-of-date plant. Productive investment, which rose sharply in late 1973, relapsed just as sharply in 1974. Last year productive investment was only just above 1971 levels.

High interest rates and uncertain business prospects combine to discourage any genuine recovery in business investment. Discount rate is at an historic high of 15 per cent, or 18 per cent if one takes account of additional penal charges. Prime rate is at 19 1/2 per cent, and non-priority borrowers pay as much as 24 per cent on loans. The heavy public sector borrowing requirement and a tight squeeze on domestic credit growth combine to make it even more difficult for firms to obtain new credit to finance current operations and investments.

Borrowing Abroad

Companies with export earnings are able to turn to foreign markets for credit. Short-term borrowings abroad by Italian banks for clients have risen sharply as a result, and several Italian companies have recently raised funds on a medium-term basis abroad. A company like Fiat, which recently pulled off a spectacular $415-million share and loan deal with Libya, can afford to crow about a 29-per-cent increase in group investment plans this year. With the funds from Libya, which has taken up a 10-per-cent capital increase with options on further Fiat shares which could raise its participation to over 13 per cent, Fiat can cover one-third of its investment costs straight off.

For Italy's other privately-owned industrial colossus, chemicals group Montedison, investment financing has turned into a major political headache over the company's future as a member of the private or public sector. In its annual report for 1976 the company revealed a stunning 70-per-cent increase in the cost of group borrowing. Montedison is seeking a 392-billion-lire capital increase to finance part of an investment program valued at 2.5 trillion lire over the next three years. But the only contributor in sight is the state, and Montedison is now at the center of a fierce political battle between Communists and Socialists who want to nationalize it, on the one hand, and the government, who is sticking out to keep it in the private sector, on the other.

High debt levels are causing problems in many of Italy's biggest corporations. They recently led to the dismemberment of the state metals and mining group EGAM, which was in debt for 900 billion lire at the end of last year. EGAM's industrial participations are to be split up between the two other large state groups, ENI and IRI. But this will not solve the problems of inefficient or overmanned plants, and the government is going to have to put through some drastic restructuration measures to keep many of the firms above water.

The state is able to support publicly owned firms with capital injections to finance widespread losses. But in the private sector a straightforward rights issue to raise much-needed capital is no easy matter these days.

Lowest Level

The Milan Bourse has been stumbling downhill like a drunken lady in the past few months. High interest rates on short-term Treasury bills, which currently yield close to 16 per cent, and a 50-per-cent withholding tax on share dividends are enough to discourage practically any investor, especially faced with insubstantial or completely nonexistent dividend payments. The recent failure of a Milan stockbroker, Ignazio di Giorgio, hit the bourse like a stab in the back. In mid-April it fell to its lowest level since 1955, and since then it has shown few signs of resuscitation.

In this climate a rights issue by even the most glamorous blue-chip would arouse little excitement. For Generale Immobiliare, Italy's biggest property and construction group and onetime star of fugitive financier Michele Sindona's empire, a recent rights issue project to set it back on the rails turned out to be a downright disaster. Only 17 per cent of the 58.3 billion lire the firm had been seeking was put up by shareholders, including the state-owned Banco di Roma, which is heavily exposed on Immobiliare debt dating from Sindona days. Now the company is negotiating with banks for an alternative salvage operation to relieve it of part of its 500-billion-lire debt burden.

More recently a rights issue by tire and cable firm Pirelli appears likewise to have failed to arouse any overwhelming response from private shareholders, because of the dismal bourse climate. Instead many of Pirelli's new shares are expected to be taken up by an underwriting consortium formed to back the issue by Mediobanca, the state-sector medium-credit institution.

Industry

Last year was one of general improvement for most Italian companies. Industrial sales rose 35 per cent, industrial production rose 12.5 per cent, hours lost due to strikes fell slightly and a general increase in productivity helped hold down the rise in unit production costs. Labor costs per unit produced in fact rose an average 6 per cent in 1976, compared with a colossal 33-per-cent rise during the 1975 recession.

In the first few months of this year Italian industry was able to maintain the improvement of productivity because of the continued industrial expansion. But a question mark hangs over the rest of the year as the government's austerity program begins to bite.

Overall, Italian companies are about 70 per cent dependent on home sales for their business. For this reason any stagnation in the Italian economy is bound to hurt. Industry officials estimate that if the economy continues along present trends, unit labor costs will rise an average 7 to 8 per cent this year. But if industrial output falls, production costs are bound to rise sharply.

A scare forecast of 600,000 more workers out of a job this year because of the government's austerity program has so far failed to materialize. But industry is still keeping a tight rein on its employment levels, and in January total industry employment levels were estimated to be over 1 per cent less than the year before. The fact is that the government's austerity measures, introduced sporadically over the past seven months and in most cases with a delayed impact mechanism, are only now beginning to bite. Employees subject to a freeze on wages over 6 million lire a year, slightly above the national average income, are now getting Treasury bills in their wage packets in place of the frozen increases to which they would normally have been entitled.

Income tax payment deadlines have been brought forward, electricity, telephone and rail fares have been raised between 20 and 30 per cent, and more price rises are in store. Household consumption, which rose 3.2 per cent in volume last year, is certain to suffer from this austerity.

The government has agreed with the IMF on the broad guidelines which the Italian economy should follow between now and 1978. But it is going to need extreme delicacy of touch in dealing with the individual details of economic management, both in negotiations with other political parties, including the Communists and the Socialists, who are pressing for a greater say in policies, and with the unions, if it is to be successful.

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rong Dedication to EEC Despite Worries Over Future Expansion

)avid Haworth

.S (IHT).—There is in an almost touching to the European idea ay ideal. All recent ion polls on the sub- shown that the vast : Italians see the Eu- nomic Community as salvation for the na- nomic difficulties as ng the cornerstone of 's international stand-

· they are proud the · Market's genesis 20 was in Rome, but the unfocused and uncrit- de toward the EEC ore substantial base Rightly or wrongly, s strongly feel the is perhaps the only ion can be saved from is heightened rather ed by the current re- : the many question ch hover over the olitical instability.

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re is a disillusion with the small scale of the EEC's regional policy. Although Italy receives nearly one-third of the regional fund's resources and the Mezzogiorno area has benefitted considerably as a result, the Italians are disappointed that the fund is so small and has so far failed to bring about the structural changes which southern Italy so desperately needs. It has been helpful to Italy in attempts to bring about those changes, but it has so far failed to be decisive.

For similar reasons the Italians are also disappointed with the size and scope of the EEC's social policy. Again, for obvious reasons, Italy receives a giant proportional share of the social fund for retraining purposes. In Italian terms the effect in recent years has been little more than cosmetic. "In our view," said a senior Italian diplomat here, "the EEC is not properly involved with social matters. While we accept that it is difficult during a recession to maintain this as a priority, the failure to do so could have profoundly undesirable consequences in the long term."

Two Cultures

But complaints of this kind are to be expected. To a greater or lesser degree they are shared by other EEC member nations—in particular Ireland, which has also been disappointed that greater capital resources for the regional and social fund have not been politically or economically possible in the past few years.

However, in one unique respect Italy is different from any other Common Market country—socially and economically it is two nations. In no other community nation is there such a harsh division between one region and another and indeed between two cultures—the north of Italy is "European," everything south of Rome is "Mediterranean." While such definitions may be unwelcome and only true as generality, they are nonetheless realistic. And in that broad distinction lies the dilemma of what the Tindemans Report on European union characterized as a "two-tier Europe"—the richer pace-makers leading the way in the hope that their progress will, through sheer economic velocity, pull the weaker nations along in their wake.

The Tindemans concept was rejected robustly by the member governments. But it has refused to go away: Once more it is haunting the policy-making of the EEC Council of Foreign Affairs Ministers as they prepare for the community's further enlargement to include (in this order) Greece, Portugal and eventually Spain.

While the Italian government welcomes the principle of EEC enlargement, there is a deep and growing fear in Rome which has strong echoes in this city that the southern part of Italy will be made to pay the price of enlargement. It is this region of the community which has most in common with the applicant nations in terms of per capita wealth and agricultural produce. Concessions which will inevitably have to be given Greece and Portugal will have direct and damaging consequences for Italy. And the climate there makes it almost impossible for the small Italian farmer to diversify. He can successfully produce wine and olive oil, but there is little else available to him. Undoubtedly as the enlargement negotiations proceed the Italians are going to demand a range of measures to protect the nation's agriculture. There are the seeds here of a bitter and prolonged fight and on a scale which Italy has never before experienced in its dealings with the other member countries.

The Italians believe that unless there is a satisfactory outcome for them in this debate by the middle of the next decade the community will in effect have divided into constituent parts of a poor south and a wealthy north. In recent negotiations here between the EEC agriculture ministers, the Italian, Giovanni Marcora, strongly put this case to his colleagues and warned, "Two or three weak men don't add up to a strong one." The minister feels that the whole focus of the common agricultural policy which historically has been concerned with the small French farmer will now be shifted to the plight of the Italian farmer and his equivalents in Greece and Portugal.

These warnings have not fallen on deaf ears. The European Commission has, for example, just produced a paper on the problems of Mediterranean agriculture. It makes the unsurprising point that the Mediterranean regions in general have a much less dynamic agriculture than found in the rest of the EEC. "The socio-structural situation in these regions is extremely unfavorable," the report admits. "There is poor productivity, low incomes and considerable agricultural underemployment. Production processes are hardly developed and the marketing and processing of produce has remained inadequate."

It is not surprising, therefore, that many Italians view the prospect of enlargement with outright alarm. The entry negotiations of Greece and Portugal are, moreover, going to take place against a background of inexorable increases of food imports into Italy from the other member nations. During the years between 1965 and 1974 grain imports from the rest of the EEC into Italy have been hiked by 5 per cent, corn by 112 per cent, sugar by 26 per cent and cheese by 33 per cent. The trend revealed in such figures is increasing at this time—and, of course, is causing a colossal strain on Italian balance of payments. It is partly this strain, Italian officials insist, which causes the country to have to make repeated applications to international financial institutions such as the International Monetary Fund for loans.

Energy Imports Are a Major Drain on the Economy

(Continued from Page 1-S.)

in neighboring areas continues, it has so far been an isolated event.

Offshore, preparations are going ahead in the Adriatic to bring into production several new gasfields, of which Squalo off Ortona is one of the most interesting. Off Crotone in the Ionian sea, production is under way from Luna gasfield, where reserves are estimated at 18 billion cubic meters. By June 28 ENI will have to publish results of preliminary seismic work in immediately adjoining deeper waters, between 200 and 1,000 meters. This is the new Zone F, in the Ionian and southern Adriatic, where ENI has the right to select up to 25 per cent, leaving the rest open to international applicants. It seems already clear, however, that Italian waters will not prove another North Sea.

The only other producer besides ENI, the French Elf, has relatively small gasfields in operation in the mid-Adriatic, and has started oil production at its Santa Barbara field. Both it and ENI have discovered considerable quantities of extremely dense, bituminous oil in the Adriatic—over 100 million tons, according to some reports. ENI, with an EEC grant, is studying how to make recovery commercially worth while.

Under its policy of diversifying sources, ENI has recently concluded exploration agreements with South Yemen, Vietnam, Brazil and Egypt, and is interested in expanding activities in British and Norwegian waters, where it is present in the Hewett and Ekofisk fields.

Some of the Mattei halo in fighting multinationals is still attached to its image in the developing world, often giving it a psychological edge over rival Western companies. Its declared policy is to prefer agreements with producer countries which reject dependence on the international majors. It is keen to develop package deals, involving the provision of technical know-how and personnel training in exchange for supplies. For some time complex negotiations have been going on with Iran to enable the Persians to enter downstream activities with a share in ENI's refining and distribution operations outside Italy, in exchange for guaranteed access to crude and Iranian purchases from Italy.

At the consumer end, too, ENI is seeking greater security through concerting policies with European national companies, notably Compagnie Française des Pétroles and ELF-Aquitaine, of France, Petrofina of Belgium and VEBA of West Germany.

This year ENI expects to obtain from its own resources abroad 18 million tons of crude, or nearly one-fifth of national requirements. Its main oilfields are in Iran, Libya, Nigeria, Qatar, Tunisia, Egypt, Norway, the Congo and Indonesia.

Shortfall

The main sources of foreign gas are Libya (3 billion cubic meters annually, liquefied, by tanker), the Netherlands (6 billion cubic meters, by pipeline) and the Soviet Union (7 billion cubic meters, by pipeline). Disappointment was caused by the breakdown of an agreement with Algeria to supply 11.7 billion cubic meters of methane a year for 25 years by what would have been the world's deepest undersea pipeline, across the Mediterranean. The Italians and Tunisians could not agree on terms for its passage through Tunisian territory. Instead, 8.5 million cubic meters a year of Algerian gas will come in liquefied form by tanker. The Italians have sounded out the Russians if they will be able to make up the shortfall.

If ENI is not in the front rank of production, its subsidiaries Snam Progetti and Saipem have built up a world reputation in oil and gas engineering. Saipem has gone deeper than anyone else in test-laying gas pipeline at a water depth of over 500 meters in the Sicilian Channel, and its experience should be valuable if the project goes ahead for a pipeline from Algeria to France via Spain. Tecnomare, another company in which ENI has a shareholding, has designed four new-type steel gravity platforms which have been towed all the way from Cherbourg, France, to ELF-Agip oilfields offshore the Congo.

Under the energy plan, the nuclear sector's share of national energy requirements should rise from under 1 per cent to between 13 and 13.5 per cent in 1985. But a series of factors has delayed this program well behind schedule.

Nuclear

Italy was relatively early in the nuclear power field through the construction in the 1960s of three pilot reactors with a total capacity of about 600 mw. A fourth, 850-mw plant, is undergoing final tests at Caorso on the Po, built by AMN of the state-owned IRI-Finmeccanica group under a General Electric Boiling Water Reactor license.

Two years ago, the authorities confidently predicted that 16 nuclear plants would be on order by 1980, making 20 in all. The building program during the 1980s would bring capacity to a total of 62,000 mw, so that nuclear power would in 1990 account for 30 per cent of supplies by the national electricity board, ENEL.

Latest projections indicate that ENEL will be lucky if 12, not 20, nuclear plants are on order by 1980 or in operation by 1985. Work has not yet started on the next four reactors after Caorso, which will have a combined capacity of 4,000 mw. These are twin reactors near Montaldo di Castro in northern Latium (AMN-General Electric BWRs) and twins near Vasto in the Molise region (both PWRs, by Westinghouse - Fiat - Breda Termomeccanica). Environmental opposition is strong, both from local authorities and from the population.

The program has also been delayed by difficulties at ENEL and by poor management at Finmeccanica.

ENEL was formed in 1963, to manage the newly nationalized electricity industry. It took over 1,200 electric power plants, but also 2,300 billion lire (at 1963 prices) of compensation due to the dispossessed private utilities. The government failed both to provide it with a capital fund and to allow it to charge remunerative prices for electricity, which condemned it to a hand-to-mouth existence.

Finmeccanica, the engineering holding company of the big IRI (Istituto per la Ricostruzione Industriale) group, is involved in all nuclear plant construction scheduled in the foreseeable future. Both AMN (holder of General Electric's BWR license) and Breda Termomeccanica (partner in Westinghouse's PWR process) are subsidiaries. In recent years Finmeccanica's record has been tarnished. Its chairman used to be Camillo Crociani, one-time dealer in surplus American war equipment, whose appointment was made on political rather than managerial grounds. He is now somewhere outside Italy, having fled from an arrest warrant in connection with the Lockheed corruption scandal. The conduct of Finmeccanica's nuclear policy has suffered in consequence.

In view of the disappointing outlook, Westinghouse has been negotiating to give up its 51-per-cent interest in the two companies formed with Fiat and Breda (Sopren for reactor construction, Coren for nuclear fuel), and to make instead a licensing agreement.

Four Link-Ups

There are four link-ups between Italian and foreign groups for proven nuclear plants. 1. Fiat and Breda Termomeccanica with Westinghouse (PWR). 2. AMN with General Electric (BWR). 3. Progettazioni Meccaniche Nucleari, also of the Finmeccanica group, with the Canadian Candu (heavy water reactor). 4. Societa per Imprese Nucleari, a private Italian group, with Babcock and Wilcox (PWR). But the first two are the only ones to which the government has so far shown serious intentions of awarding contracts.

Industry Barons State Their Cases for State Fun

By James March

ROME (IHT).—During the first two months of this year the chairmen of Italy's giant state sector industries, which effectively represent the backbone of the country's economy, filed past the Italian Senate Budget and Finance Commission. In reporting the financial and operating circumstances of their respective enterprises, these state industry barons each made their cases for state fundings to ensure the continuity of their industrial operations at a time of increasing economic and political uncertainty. In so doing, they revealed a picture so gloomy that it led a leading Italian economic commentator to comment that the country's leading state conglomerates had entered into their "worst crisis since the war."

The figures speak for themselves. The massive Istituto per la Ricostruzione Industriale (IRI), which controls six financial holding companies, which in turn control something like 180 operating companies in Italy alone, employing about 500,000 people and with a turnover last year of more than 10,000 billion lire, and which also owns a number of banks like Credito Italiano and Banco di Roma, the state airline Alitalia, the motorway network Autostrada, and companies like Alfa Romeo and the Italsider steel group, reported losses last year of more than 500 billion lire and accumulated debts totaling a huge 13,200 billion lire.

The Italian state hydrocarbon group, Ente Nazionale Idrocarburi (ENI), with a group turnover of nearly 7,000 billion lire, had accumulated debts at the end of 1976 to the tune of 4,000 billion lire, while two other state groups, the mineral and textiles agency, EGAM, and the aluminum, food, arms and tourism concern, EFIM, had accumulated debts of 915 billion lire and 1,100 billion lire respectively. As for the Milan-based chemicals and textiles conglomerate Montedison, which although it maintains a fictional "private" identity is effectively a "public" company, recently reported accumulated group debts of some 2,800 billion lire and group losses last year of 172 billion lire.

Labor costs have now reached peaks of 40 per cent and have been perhaps the chief element in making Italian products no longer competitive in the traditional markets of Western Europe.

If these figures are dramatic in themselves, the internal top management struggles that have erupted within these groups alongside their mounting financial losses and deteriorating financial situations are an even more vivid expression of the state of turmoil of these industrial giants.

A top management row, simmering under the surface for months, has split IRI. After the dramatic decision of the controversial chairman of Montedison, Eugenio Cefis, to resign following the resignations of the chemicals group's financial manager and planning director, the whole future of the company is in the balance. The oil subsidiary of ENI, AGIP, is currently being torn apart by the long-delayed appointment of a new chairman. And the government has now decided to dismantle the perennial loss-making minerals concern, EGAM.

Although it is important to point out that these conglomerates contain an enormous wealth of technical and managerial skills and enormous assets in terms of often technologically advanced and modern plants, the crisis which has afflicted them is at the same time the product of a situation which is the direct consequence of 30 years of uninterrupted government by the Christian Democrat party. The ruling Christian Democrats have sought to turn the state industries—and indeed the country's banking system—into their deep-rooted power bases.

But the Italian state sector, which was first conceived as a model system successfully combining the economic efficiency and élan as an entrepreneur of private industry with the broader social, economic and political objectives of nationalized industry, has been fundamentally affected by the erosion of the political power and influence of the Christian Democrats, whose present minority administration now heavily relies on the indirect support of the powerful Italian Communist party and the Socialists. This indirect support of the country's opposition forces is expressed in their policy of abstention in Parliament—a policy for which the Christian Democrats have to pay a price, which essentially involves a broad measure of cooperation—albeit official—with the left-wing parties.

The Communists have naturally wanted their pound of flesh in return for their tacit support of Mr. Giulio Andreotti's minority Christian Democrat government. And one area in which the Communists have recently stepped up pressure concerns the nomination of candidates to top state jobs, including banks and public sector industries.

In the past, the Christian Democrats have used the device of political appointments in state sector jobs to place their men, often party stooges, in key posts. This not only guaranteed them overwhelming control of the country's economic structures, for through the banking system they also effectively controlled indirectly the country's private industry, but also enabled them to use these enterprises for electoral purposes. The result has led to increasing abuses of the state sector, with uneconomic decisions taken for purely vote-catching motives like the salvage of obsolete private industries by incorporating them into the public area.

EGAM is a case in point. It became known as the "golden dustbin" of Italian industry, a sort of salvage corporation for companies which in a rational economic environment would have been closed down. But the implications of tens of thousands of unemployed in political terms was unacceptable to a party which was beginning to lose ground to a menacingly strong left-wing opposition. Ironically, the recent decision to dismantle EGAM is in effect only a subtle formula to maintain the status quo by simply burdening the two bigger state holding companies, ENI and IRI, with the 70-odd companies which were grouped together by EGAM. It is a classic exercise in side-stepping and shifting responsibility without actually changing anything.

This system of political appointments often led to secretive and elitist top managements, resulting in the increasing frustration of cadres and indeed a deterioration in the quality of these cadres. For this very reason, in the present uncertain political situation, in which the balance of power has been increasingly fluid, the cadres of the big state groups have come out in open revolt, challenging the vertical and secretive top management structures of their respective groups. Instead they would like to see a decentralization of power at the top of these enterprises and a more horizontal management, in sharp contrast to the old autocratic system.

Fixed Prices

Other factors have precipitated the crisis in Italy's state industries. The world recession in sectors like textiles, chemicals and steel has made a major contribution to the deteriorating financial structures of the different groups. But there have been some political decisions which have exacerbated the problem. For the chemicals and fertilizers industry, the government's policy of fixed prices has not matched the increase of raw materials and energy. In the same way, for the private oil industry operators in Italy, fixed prices have also had a seriously damaging effect on performance.

Fixed prices, however, are only part of the story. The government—and indeed also the trade unions and the Communists—has in the past put pressure on industry to invest heavily in the depressed south of the country, the Mezzogiorno. The politics of investments in the south was born from the increasing rift in living standards, employment and industrialization between the north and the south, which was mainly the big loser of the country's swift industrialization in the last 30 years.

But instead of promoting a rational development of an area devoid of infrastructures, with a high rate of illiteracy and with a predominantly rural, although greatly unexploited, base, the political forces promoted the development of highly technological non-labor-intensive projects in areas which were fundamentally totally unsuitable. They promoted such investments by offering attractive financial incentives at the same time as they forced industry to devote a major share of its new investments in the south. This led to the so-called "castles in the sand"—huge white elephants which encouraged a policy of debt financing and which has sent Italian enterprises more and more in the red.

It also meant that, whereas these enterprises should have invested in reconstructing and remodernizing some of their existing plants, they invested instead in new projects at a time of worldwide overcapacity in most major industrial sectors. It has led to a situation in which the IRI steel subsidiary, Finsider, which already has an integrated steel plant in the south at Taranto, is in principle ...
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Small Business Is Beautiful

By Christine Lord

ROME (IHT).—The visitors to Italy who buy shoes and handbags in Rome, straw hats and scarves in Florence, and colored glass necklaces in Venice are contributing to one of the most successful areas in the Italian economy today. It is small and medium industry, and it makes up nearly half of Italy's industrial product.

Small these days is beautiful. At a time when many large industries are floundering in debt, hoping the government will somehow bail them out, and meanwhile putting their workers on short-time, small and medium businesses in many parts of the country are flourishing.

Employment in large industry dropped by 15,000 persons last year with respect to 1975, while an increase in the number of persons working in small and medium industries was estimated at 10,000. Much of the growth was in the north, where the tradition of small business is deeply rooted.

The trend in the direction of small industry is not a new one. According to census figures, from 1961 to 1971 the percentage of Italians employed in businesses with 10 to 500 employees rose from 60 to 70 per cent.

In Italy, a "small" industry is roughly defined as one with up to 100 employees; a "medium" as having between 100 and 500. Small and medium industries now account for 45 per cent of the national industrial product, and for one-third of the country's exports. Only about 600 companies in Italy have more than 1,000 employees.

The small or medium industry is not only distinguished from the large by its size. Its managers and owners are frequently the same person, or at least members of the same family, with a vested interest in the business. By contrast, large industries are often run by professional managers who have little in common with the hundreds or thousands of shareholders who own tiny slices of the industry.

But the most important quality of small industry is its flexibility. If production has risen in this period of crisis, it is above all thanks to the elasticity of the small and medium industries, whose size has allowed them more adaptability to changes in demand and more latitude in hiring and employment practices.

The growth potential in small industries is exemplified by one northern region in which there are a number of small factories. It was estimated that if the workers did not put in overtime, there would be work for another 500 persons.

Some experts feel, however, that the very structure of small industry is a deterrent to increasing employment levels. Romano Prodi, director of the Center of Economics and Industrial Politics of the University of Bologna, suggested that the unwillingness of small industries to expand beyond a certain point—usually around 200 employees—is due to a reluctance to face management problems and union restrictions inherent in a larger company.

Better Pay

Instead of expanding, an owner of a successful small business is likely to open another small one. Ultimately, efficiency may be sacrificed for the sake of keeping down size in order to avoid some of the rigidities of Italian labor laws, and in order for the owner to be able to organize work in the company at a more personal level.

Such a system is fine with the employees in many of the small industries, particularly in the north. They prefer the independence that comes with working for a small firm. They are often paid better than workers in a large industry because the small company—which is often very specialized—wants to be sure not to lose highly qualified workers.

"One thing that we can say about small industry is that it has survived the economic crisis better than big industry has," said one economist. Still, the sector has problems.

Despite the existence of associations for small industries that work in their interests, small and medium industries have never succeeded in having the close relationship with banks that their bigger industrial counterparts have. There are allegations of discrimination by banks against small industry—in part a traditional caution, and in part because the banks demand guarantees that go beyond the value of the business itself.

Certainly the small industries have a more difficult time than the large in offsetting the short-term cost of credit, now at least 20 per cent. And they get a lower interest on their smaller bank deposits.

They do not get their electric energy furnished at the favorable industrial rate enjoyed by big industry, so end up paying 2 or 3 times as much.

They are also caught in a squeeze between suppliers and clients. Whereas the former are likely to demand immediate payment, the latter may take months to pay for the finished goods they have acquired. Such a gap, easily cushioned by a large industry, can put a small industry in crisis.

The latest thing that has gotten small industrialists up in arms is a bill under examination that would require that all industries, no matter how small, take on new personnel only through the state employment office, rather than through direct hiring. This requirement is currently only applicable to businesses with more than 35 employees, and is even then widely ignored.

Small industrialists protest that hiring indirectly through the employment office instead of directly according to their needs will jeopardize the flexibility that is indispensable in a small business.

Having a choice imposed from outside, they argue, will take away their chance to find exactly the right person for the job, and therefore will decrease the business's efficiency and adaptability.

There will be time to fight that battle if the law becomes a real threat. Meanwhile small industries are catching on to the idea of acting together to increase their clout. Credit consortia are being formed to decrease dependency on bank loans. There is some movement toward the idea of buying raw materials in a group to get a better price, and of placing merchandise on the export market together to avoid having to fall back on the services of a middleman.

They are all efforts to keep the "oasis of enterprise"—as one businessman called small and medium industry—green.

هذا من الأصل

‹t Last, Regions Are Handed Wide Powers for Self-Government

ıristine Lord

T‹.—In a Europe ‹gionalism and ethnic ‹re causing strains ‹sque country to the ‹ly is relatively far ‹ the road toward ‹ny and self-govern-

‹y was unified only ‹go, and new areas ‹rated into it as late ‹fact, as well as difficult communications down the peninsula and across the Apennines, has produced strong regional identities—and antagonisms. By European standards, Italy has been fairly liberal in delegating powers to the regions, but it has been a slow process: although Italy recognized the principle of regional devolution in 1947, following the fall of Mussolini's rigidly centralized regime, by 1970 it had only allowed powers to the five "autonomous" regions of Val d'Aosta, Trentino-Alto Adige, Friuli-Venezia Giulia, Sicily and Sardinia.

In 1970 regional governments were finally set up in the 15 other regions to match those in the autonomous five. It is only now, however, that real powers are beginning to be assigned to them.

'Law 382'

Under "Law 382," as it is known here, the regions are empowered to run the health service, urban development plans, public works, the financing of agriculture, tourism, regional public transport, mining, and the social apparatus that backs up the state educational system.

The financing for all this seems likely to be through handouts from the central government, although this is not popular among the more independent-minded regions.

The organization of regional governments with wide powers should solve some problems in a country until now ruled from Rome. Rome's state bureaucracy is celebrated for its overstaffing and inefficiency, qualities which represent to northerners the patronage and parasitism they associate primarily with the south, and to southerners the exploitation and lack of humanity that they associate primarily with the north.

Regions will now be able to deal with their own problems in their own way. This is particularly important in regions run by governments politically different from those in Rome, which in practice means the regions ruled by a left-wing "giunta" of Communists and Socialists. These are Emilia-Romagna, Tuscany, Umbria (which have been "Red" since the 1950s), and Liguria, Piedmont and Lazio (which moved left in 1975 regional elections).

Another three regions—Lombardy, Campania and The Marches—have the active support of the Communists in drawing up regional policy.

Regional governments can, however, also create problems. At worst, regions can become just another layer of bureaucracy and red tape inserted between the state and the province (there are 95 provinces: each has its own president and elected council, as do the 8,053 cities and towns that make up the provinces). Some regions, in fact, leave all effective decision-making to Rome, and just burden the citizen with two sets of procedures to go through if he needs anything.

Identities

Another problem is that regions do not always exactly mirror the regional identities that Italians happen to have—to say nothing of the more local identities. Friuli-Venezia Giulia, for example, although based on Friuli—a very self-contained area centered around the city of Udine and with its own clear identity and language—is ruled from Trieste, the old Mediterranean port of the Austro-Hungarian Empire and the only part of Istria that was not ceded to Yugoslavia after World War Two.

The system does not always seem to represent the interests of the Friulians. They resent the fact that Trieste, not Udine, has their university. They attribute the ineffectiveness of reconstruction after the earthquake in May last year, which left thousands homeless, to the fact that it is being administered by Trieste.

Apart from organization problems such as this, there are inevitable rivalries between cities inside each region, often with a history of hundreds of years. Those between Florence and Pisa, or Siena and Arezzo, are of a limited importance because in Tuscany, Florence is so clearly dominant politically and economically that it is unchallenged as regional capital. But when, in 1970 in Calabria, Reggio found that the regional responsibilities were going to go to Catanzaro, it staged riots that took months to quell.

However by and large the regions may yet work. They may allow many projects to be unblocked after years of stagnation in Rome; the breadth of their powers may allow people to obtain a more immediate focus of political activity than Italy as a country has ever had; and, in a country dominated by one political party for 30 years, the regions represent active political pluralism and administrative training for the opposition parties that is not available on the national level.

‹reatened by Foreign Imports, Auto Industry Scrambles to Catch Up

‹HT).—Three years ‹ oil crisis caused ‹automobile industry ‹er, the Italian in-‹ill having trouble ‹omentum.

‹y is near the bot-‹ist of six principal ‹s, which also in-‹nited States, West ‹pan, France, and ‹. Last year, Italy ‹ million cars—an ‹ly 9 per cent over ‹gure compared to ‹r the United States ‹nt for the group of ‹whole. Only Britain ‹aly.

‹tant, the 1976 pro-‹es were a full 20 ‹ those of 1973, the ‹year for the auto-‹ry.

‹and new—headache ‹n industry is com-‹abroad. In 1975, 31 ‹e cars sold in Italy ‹last year the figure ‹to 37 per cent.

‹ers' gain, of course, ‹ans' loss. Fiat, the ‹Turin that is Italy's ‹ employer, dropped ‹are of the domestic ‹57 per cent in 1975 ‹last year. The other ‹uto manufacturer, ‹which forms part ‹ holding company ‹ 9 to 8 per cent.

‹ters are worried by ‹We are not happy," ‹official of the as-‹auto manufacturers ‹Turin.

‹t tendency of Ital-‹ from the perennially popular Fiat and the finely-crafted Alfa Romeo appears to have a number of reasons—though price is not one of them.

Part of it is certainly a simple streak of xenomania. As the boom of blue jeans and imported whiskey of the last few years has proven, Italians like foreign products.

But Italian car companies, which generally stick to basic models, are also competing against a mushrooming of five or six different models from each of several foreign firms. "There is simply more choice among foreign companies," said the ANFIA official. "And that in itself gives them some edge."

Strikes early last year over national labor contracts cost Italian companies an estimated 180,000 cars in production time—cars that would have been absorbed by the internal market had they appeared.

The biggest reason for the backslide of domestic carmakers has been the appearance on the market of small foreign cars. Models such as the Ford Fiesta and the Volkswagen Golf invaded a territory of the market in which Fiat had for years enjoyed a virtual monopoly.

The Italian auto industry had been pointing to the development of medium-small cars since the early 1970s with the production of models such as the Alfasud and Fiat's 127 and 128. After the oil crisis caused demand to fall, as many prospective customers postponed buying a new car, the industry's programs for further development paused, and emphasis shifted to putting new touches on established models rather than creating new ones.

Now, with pressure from new models abroad, the Italian industry is hurriedly scrambling to catch up to where it left off nearly three years ago. In addition to the demands of economy, models now under study must take into account safety and anti-pollution laws that are becoming universal. Those three considerations are likely to be decisive in future car designs.

Cars have had a vital importance in Italy since the "economic miracle" that followed World War Two. Italy's automobile industry currently employs 256,000 persons directly in the sector, and another 535,000 make parts connected with auto manufacturing. More than two million Italians—one-tenth of the labor force—owe their jobs in some way to the automobile.

Fiat, with 265,000 employees in Italy and another 63,000 abroad, is Italy's largest private employer. The company, which showed a profit of 66.5 billion lire in 1976 after sales of 9,270 billion lire in 1976 (a considerable improvement over the insignificant 100-million-lire profit of the previous year), has already indicated some of its plans for the future.

Production Increase

Among them is a plan of 1,000 billion lire in investments in 1977, mainly in Italy. Fiat also intends to increase its production capacity and to develop new models in its private and industrial vehicles, with the hope of recovering its former 57 per cent of the Italian market by the end of this year.

The company also wants to improve its products outside the automobile sector—special steels, for example—to make them more competitive outside Italy, and to beef up production of goods with a high value-added component.

Fiat has even come up with a slogan to synthesize its intentions. Aired recently at the opening of the industrial fair in Milan, it is: "The will to continue."

—C. L.

Private and State Shippers Reflect Worldwide Tension

GENOA (IHT).—Mike and Raf have come home, but they will not stay long.

The Italian Line's two most prestigious transatlantic passenger ships, officially the Michelangelo and the Raffaello but known by their nicknames to fans who came to admire them at their moorings in New York, were sold last December to Iran.

The liners cost the Shah about 20 billion lire, and will be used as floating dormitories for the imperial navy at Bandar Abbas. For the moment they are here in their home port for a facelift in preparation for their final trip.

The sale of the famed twin liners was the most dramatic symbol of the decision in 1974 by Italy's state-run Finmare company to dispose of its passenger ships over a period of three years because it was no longer profitable to operate them.

Sixteen ships have been sold or scrappd so far. Last month the government, in something of an about-face, announced that four liners will be kept for use on cruises. Among them is the Leonardo da Vinci, the little sister ship to the Michelangelo and the Raffaello.

Getting rid of the passenger ships—no easy task in itself—is the first step in a vast program to overhaul the state-owned fleet. It is due to be completed by the end of this year.

Private Sector

The next step is to buy or build 95 ships over a five-year period ending in 1980 to bring the state fleet to 152 units for a total of 3,488,000 tons. Investments are expected to exceed 1,300 billion lire.

The government plan has not caused shouts of joy among the private sector of Italian shipping. Private shipowners accuse the plan—and implicitly, the politicians behind it—of favoring the state sector of the fleet at their expense.

At present, the state fleet accounts for only 20 per cent of volume, the other 80 per cent is in the hands of private companies. Yet paradoxically, the state owns 90 per cent of the shipyards to the private companies' 10 per cent.

The private companies feel that the state is expanding its sector merely to maintain employment levels in state-owned shipyards. Moreover, they say, the state fleet has a steady customer in the huge sector of state industry, which leaves private shipping to make its own way on the competitive international market.

Italian shipping now is hardly competitive by international standards. The price tag on a ship built in Italy runs 15 per cent higher than one built elsewhere in Europe, and up to 40 per cent higher than in Japan. Part of the extra cost is the price paid for the political choice to keep workers on the payroll even when there is no work.

It would not be so bad if private shipowners were allowed to buy outside Italy. But their hands are tied by the government's monetary restrictions that forbid the export of capital.

Shipbuilding costs are also pushed up by the high cost of credit. A law favoring the shipping industry stipulates that credit should be available at 8.8 per cent, but it has remained mainly on paper, and credit costs are more likely to be 16 per cent.

State shipping, private shipowners say, can maintain its dominance on the market because it has no fear of losing money as a private concern would. The sector has been subsidized in one way or another since 1936 for reasons of "preeminent national interest."

Although at present it covers only one-fifth of the market, the state sector is due to receive some 400 billion lire in subsidies during 1977.

Finmare spokesmen explain that the sum includes accumulated back payments and funds already earmarked for the overhaul of the state fleet. They point out that the subsidies to new shipping lines, according to the law, are now intended only for a five-year "launching" period, in proportion to the capital invested.

Further yearly subsidies are possible in certain circumstances that depend on the management of the line.

Charges Denied

The state company also denies charges that it has an edge on the market with respect to private shipping lines. It sustains that the lead taken by the state fleet in trying out new types of ships and new routes, which may not immediately be profitable, draws business to Italy from which private shippers also stand to benefit.

—C. L.

Tightened Promotion, Reduced Rates Should Boost Tour

ROME (IHT).—Tourists have been a part of Italian life ever since the last century, when British and Eastern Europeans in particular came to bask in the sunny climate and artistic wealth that the Mediterranean peninsula had to offer.

The tourist movement reached an unprecedented level during the 1950s. Prices were among the lowest in Europe, and foreign competition had not yet challenged Italy's virtual monopoly on Mediterranean tourism.

No longer. A rise in the standard of living to the level of the rest of Europe has brought with it an increase in prices—although in the last two years the fall of the lira has cancelled price hikes. Strikes by workers demanding a new deal have not exempted the tourist industry. Relentless competition—first from nearby Yugoslavia and Greece and, more recently, from coastal North African countries—has forced Italy to snap out of the complacency it had acquired and start treating tourism as a product offered to a buyer's market.

The economics of the tourist industry was one of the main subjects raised at a nationwide conference on tourism held in the capital two weeks ago. Conference participants—tourism officials, regional and national political figures, and trade union representatives—spent three days analyzing the importance of tourism to Italy, its major problems and some possible solutions.

Economically, Italy depends heavily on tourism. It is the first source of foreign exchange, and as an "industry" has the advantage of not requiring imports of raw materials which reflect negatively on the balance of payments. Last year tourism brought the country income worth 2.6 trillion lire—28 per cent more than in 1975—the result both of higher prices and more visitors.

Employment

Tourism also makes up a sizable chunk of Italy's GNP; last year Italy's service sector, of which tourism is a part, rose by 4 per cent over the previous year.

The industry also has the potential to help Italy with its unemployment problem. One and a half million Italians hold jobs directly related to tourism, and last year employment in the services sector increased by 116,000 persons compared to 1975—against an increase of only 5,000 persons in industry and a decrease of 35,000 in agriculture.

Italy's experience in the tourist field is not only time-honored, it is extensive. The country boasts the most highly-developed tourist facilities of any country in the world except the United States. Its capacity of four million tourist beds makes up one-quarter of the total in the European Economic Community.

Despite these impressive figures, Italy's tourism is subject to some recurring problems that have stubbornly evaded solution. One is a chronic low utilization of touristic capacity. In the course of a year, facilities are only employed for an average of 30 per cent.

Moreover, they are used unevenly. Sixty per cent of Italy's vacation tourism by Italians and other Europeans takes place in July and August; the remaining 40 per cent is spread over the other ten months of the year. Anyone who has ever tried to find a hotel without an advance reservation during the two peak months can understand why tourism officials are anxious to encourage at least some of the people to come at another time of the year.

The weakest link in Italy's touristic chain is the seaside vacation. Faced with stringent competition, especially from North Africa, beach tourism is having difficulties covering its expenses with the income from its short season.

Despite periodic talk of staggering vacations, Italians so far have stuck doggedly to the tradition of the July or August holiday—often because factories and other places of work simply close down for a month. Some efforts are being made to stagger vacation periods, but so far neither employees nor companies appear to take the idea very seriously.

Italian tourism, like so many other aspects of the country's public life, is also weighed down by a ponderous bureaucratic machine. There are more than 400 different state agencies related to tourism; most of them were formed 40 or 50 years ago, and many of their functions overlap.

The decentralization to Italy's recently-created regional administrations of many of the responsibilities that formerly belonged to the central government has added temporarily to the confusion. Tourism promotion outside Italy, until recently handled by ENIT, the state tourist board, is now under regional jurisdiction. Each region has tended to do its own thing and the fragmented result has weakened the impact of promotional ca abroad.

With an eye on the the conference drew objectives. The pleth agencies—including E are to be reformed lined. The regions wi responsible for their c but will work on a u dinate their efforts the most impact ab.

The transfer of tc agement to the regi affect the number c price reductions avail ists in Italy:

● Gasoline coupc bought by foreigners ian border or in of Automobile Club d'I The coupons, at 270 of premium grade fue count of nearly 50 gasoline that costs lire per liter.

● Foreign-licensec also entitled to trave reduced rates on mu network of superhig IRI-owned ones) lowest toll rate. For sized car, this mea cent discount.

● Museum passes a mission to all stat (that means, incide the Vatican is excluc available for a small offices outside Italy.

● The state railw offers discounts in m students, groups, an cultural trips.

● Similarly, some ferries to the islanc and Sardinia give a foreign-licensed cars.

● Alitalia, the flag discount arrangemen lies, groups, student flights.

Group

The tourism conf established that inve promotion abroad sh creased, and tourist tions modernized an through "touristic v camp sites.

Group tourism, wh been promoting for taken on a new twi so-called "social tou age trips conceived ed between foreign tc and local trade unio which already have tourist agencies.

The idea is not t from past efforts to ventions to Italian c aimed above all at vantage of the co climate to host grou and increase the use

Than of course t Mezzogiorno. The to try has for years bee —with varying degre —to open up Italy mass tourism.

"There is more o southern Italy than Greece," remarked E Franco Paloscia, with sion of one who th slogan might not ma motional material. has a warm climate sea in common with terranean countries, tion it has a rich c Americans, especially all the way to Italy t the beach."

The Sou

The tourist industr to touristic villages vehicle for large-scale the south. A total of lire of investments h been made and the 15,000 beds. More vill tripling of bed space ned; but meanwhile ones are trying to problem of lack of qu manpower.

Instead of providin southerners, the touris are so far having to l the north for almost from food to furnishin the south does not ye network to offer what plexes demand. And t of personnel takes tin

"We know the prol we need to 'recycle' t ing mentality here to fessionals," said Mr. P the meantime, consorti ist facilities in the handling their purch their publicity jointly, tempt to even up the the tourist product the fers.

Tourism officials ar forward to the 1977 s one thing, the Japane back. The figures sho Japanese tourists cam last year: the averag has been 15 to 20 per c over the last decade, vie with the America big spenders.

Another bright note is that the labor disp settled last year. This e ficials predict, with so will be "tranquilla".

The officials are al about the conference which they hope will t in the next few weeks. lowup meetings will esta what measures are n legislatively and prac assure that the goals fc outlined in the confer become action.

Quality and Adaptability Keep Textiles Afloat

ROME (IHT).—The textile industry in Italy, as elsewhere, is under pressure from Third World countries offering fabrics and ready-made clothes far more cheaply than Italy can produce them. Yet, compared to a number of other industrialized countries, Italy is surviving the competition with surprising success.

The success has been possible in part thanks to Italy's long tradition of styling and finishing, in part due to a tendency toward smaller companies that can adapt quickly to changing styles. And in part it has been due to the survival of many methods used in the Third World itself.

The textile and clothing industry, which employs 1.5 million persons—more than 80 per cent women—earned Italy 3.3 trillion lire last year.

About one-third of the industry is state-owned; it is the third that is also losing money. A need to keep up employment levels, the necessity to adhere strictly to established factory wage rates, and a system of political patronage in hiring practices have made these state-controlled enterprises "extremely poor outlooks," according to executives familiar with them.

State textile companies have 30 per cent of their plants in the impoverished south. They pay higher wages than private companies, have twice as high a rate of absenteeism, pay heavy taxes, and distribute almost no piecework. They did not develop on their own as a genre, but, like so many other state companies in Italy, mushroomed out of the relics of private businesses that had failed. In the last decade, the number of such companies has increased rapidly—and the state sector has grown.

'Handicapped'

"I feel like the headmaster of a school for the handicapped," Francesco Forte, president of Tescon, remarked recently. Tescon is the textile and clothing division of ENI, the state energy agency. The "handicapped" are companies that couldn't make it on their own. They suffer from levels of absenteeism that reach 25 per cent; they have rigid concepts of job assignments that permit no deviation.

"And, as in a school for the handicapped, the teachers have to be particularly creative," Mr. Forte quipped.

Creating in state industry is never easy, and the textile sector is no exception. The state companies are huge—several thousand workers in a factory—so they have none of the elasticity that saves smaller, slimmer firms. Such a large work force means many employees must travel some distance to work, which makes the absenteeism rate rise. Technical difficulties are also greater in a large plant because different types of yarn require different temperatures.

It is for reasons such as these that the state sector is now feeling the crisis. Basic fabrics are now being undercut by Third World competition, while high fashion, where tastes vary relatively quickly, is more adapted to small, flexible factories.

"Our sector has no future," observed Mr. Forte. Although interest in dressing well is higher now than in the past, he feels, costs for indispensable purchases have risen to the point that it is the clothing sector that is bound to suffer. "Anyone can wait a couple of years before buying a new overcoat," he said.

Private Sector

Although the public sector of the textile industry has its hands tied in almost every respect, the private sector is uncommonly free. It is making money, and no wonder.

Private companies—which, with the exception of the Marzotto company, tend to produce only clothing—function on a small scale, in contrast to the large state companies.

Their greater flexibility makes them more responsive to rapid changes in demand. Small and medium private companies give out piecework as a matter of course—often at starvation rates, and in any case at far less than what a legitimate factory worker would earn.

Social security payments are frequently ignored, which is illegal; but the ready availability of labor—especially female pieceworkers at home—allows the companies to save money by using overtime when necessary, without any fixed commitment to the employee. Since much of the work force is "invisible", or unofficial, tax evasion is common.

Under such conditions, the private companies at worst have managed to survive in slump periods. At best they have "made a killing," as a union official described it, mainly because of their convenient on-call labor force.

Not surprisingly, the unions are against such extended use of piecework. But it is not just for reasons of exploitation.

"It is shortsighted," declared Nella Marcellino, who heads the textile sector of the Italian General Confederation of Labor, CGIL. "Ours is an industry in which equipment gets obsolete fast; extensive piecework simply allows industries to put off what they really need, which is to update and modernize. Furthermore, piecework in the long run is disqualifying; the companies will end up with a lack of any skilled personnel."

The unions are aware that plant modernization is inevitably going to slim down the necessary work force. For this reason they are particularly receptive to prospects of "reconversion", or restructuring factories so that they can produce other goods while maintaining the level of employment.

In this, the unions see eye to eye with many companies which are looking for new outlets for the textile industry that would be less subject to the growing competition from abroad. One promising possibility is the field of interior decorating, an industry with an almost unlimited capacity for products in the form of carpets and heavy fabrics. The other prospect is industrial textiles of the type used in the interior of automobiles.

Such uses of the textile industry have the advantage of requiring superior technology; they cannot easily be reproduced in Third World countries, whose industries are still relatively unsophisticated. They are adapted to industrial countries where a market is readily available. Industrial sources point out that a secondary benefit to be gained would be that the industry would help deplete the huge stockpiles of synthetic fibers that have been clogging the market all over Europe and driving the synthetic fiber industry into crisis.

A certain portion of the Italian textile and clothing industry, however, is destined to remain in its traditional field—clothing of superior quality design and tailoring. The Third World is competition, but only up to a certain level of demand; beyond that, a higher quality is desired, and Italy—which has beaten even Great Britain in the market for men's clothes in South Africa—appears still amply prepared to fill that demand.

—C.L.

Steel: An Indifferent Year

NAPLES (IHT).—The graceful green slopes of Posillipo rise from the south side of the spur of land that juts out to divide the Bay of Naples from the adjacent Gulf of Pozzuoli. On the north side of the spur, between its tip and the former fishing village of Pozzuoli, lies the Bagnoli steel mill.

Bagnoli symbolizes a lot of the problems of the Italian steel industry. And there are problems. The industry said goodbye without regrets to an indifferent 1976, which in itself was only a slight improvement over a disastrous 1975.

Apparent internal consumption (including depletion of stockpiles) has slumped during the last three years. Only 65 per cent of plant capacity has been utilized—though the situation has been just as bad for other countries in the European Economic Community. Forecasts for 1977 predict results at best equal to those of 1976. But despite this, the Italian government is still going ahead with plans to build Italy's fifth steel mill.

Neither the time nor the place for the creation of a new steel center appears propitious. The head of the government holding company Finsider gloomily described 1975 as "decidedly bad" after steel consumption that year—17.5 million tons—dropped back to 1963 levels in an industrial recession that was the most serious since 1929.

Below Capacity

Demand during 1976 reached 20.5 million tons, some improvement over 1975, though not as good as 1974. Last year was still feeling the effects of a recession begun three years earlier when the market for steel shrank following an increase in costs and prices as a result of the world oil crisis. Deflationary measures by the Italian government also depressed the steel market.

Steel plants built during boom periods, when continued rise in demand seemed certain, were forced to work far below capacity as activity in such key markets as the building and automobile industries declined. The Finsider group closed 1975 with 130 billion lire in the red. Figures are expected to be similar for 1976.

One reason is Bagnoli. This plant is suffering from one of the anomalies that are built-in handicaps for Italian state industry. The Bagnoli mill has a current capacity of two million tons annually and employs 9,000 workers. The mill has been around for nearly 70 years, yet a Naples city zoning ordinance in 1962 ruled that the area now occupied by the steel mill must convert 30 per cent into parks and be used for non-polluting industry by the other 70 per cent.

"It was a clear invitation to leave," said a company official. Finsider managed to obtain a stay suspending the zoning regulation until 1935, but in the meantime plans for modernization of the plant—necessary if it is to show profits—have been put off indefinitely. Unwilling to invest more funds in an operation that may become a write-off within nine years, yet unable—particularly as a state-controlled industry—to lay off workers in an area of high unemployment, Finsider is now squeezed between continuing deficits of the Bagnoli center and the inability either to modernize it or close it down.

The Bagnoli dilemma typifies much of what is wrong with state industries in Italy. On paper owned for 45 per cent by private stockholders, Finsider, and other companies like it in the massive IRI state holding group, are practically controlled by the government and therefore subject to political and social pressures.

"We can understand the social costs the state must consider," a Finsider official observed recently. "But they must be clearly separated from the economic considerations that are the concern of our private shareholders. Social problems cannot be financed by private investors; they must be the exclusive concern of the state."

That is one reason why Finsider is rather wary of the latest politically-inspired venture, a controversial steel center to be built at Gioia Tauro, in the poor southern region of Calabria.

Gioia Tauro, near the tip of the Italian boot, and one of the few fertile patches in an otherwise mountainous and arid zone, lacks a seaport. It also lacks adequate roads, railroads and other infrastructure to sustain a big industrial complex.

Infrastructure would have to be built at enormous cost, while thousands of hectares of orchards and other farmland—including 7,500 hectares of olive trees—would have to be sacrificed to build the new mill. The rural inhabitants of a nearby village would have to be relocated to make place for the steel complex.

The idea, of course, is to provide jobs in a poor region. But Calabria has little skilled manpower—though unskilled unemployed abound—and much of the labor force would have to be brought in from outside. According to a recent estimate, preliminary work on the Gioia Tauro project has given jobs to a mere 350 persons. And there are continual allegations that much of the money intended for work on infrastructure has been diverted into the hands of the Calabrian Mafia.

No Rush

The Gioia Tauro project, which is likely to devour 2 trillion lire before it is finished, is designed for a comparatively modest initial production of one million tons annually. Finsider has demanded 300 billion lire to cover additional expenses connected with choice of the site in an inappropriate area, and has stated that work on the center itself will not begin before vital elements of infrastructure are completed by the government.

That may take some time. But Finsider is in no rush. Besides Bagnoli, the company has three other plants—at Cornigliano, near Genoa, at Piombino, on the Tuscan coast, and the youngest and largest at Taranto, in Apulia, with a capacity of ten million tons annually. Under current conditions, production capacity is sufficient until 1980. The holding company has no plans of its own, aside from those dictated by the government, for expansion of capacity.

The public sector accounts for about 60 per cent of production, and produces mainly crude steel of all kinds. The other 40 per cent of the industry is divided among a number of private companies, many of which make high-quality special steels.

The largest of these is the Falck company, with a major plant at Sesto San Giovanni, an industrial suburb of Milan, and two others at Bolzano and Naples. The Fiat empire also includes a steelmaking branch in Turin.

—C.L.

هكذا في الأصل

It's Coming: A Major Overhaul for Ailing Social Security

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After years of political rhetoric and parliamentary debate, a partial overhaul is due to come into effect next July 1, when the current system of centralized health care, now in the hands of state agencies, will give way to a system administered by Italy's 20 regions on a local level. Unfortunately that, too, is likely to exist only on paper for some time to come, and even the politicians have allowed for a "transition period" of four or five years.

Social security in Italy is divided into two main branches: pensions and health care. The vast majority of pensions are managed by the national pension fund, the Istituto Nazionale per la Previdenza Sociale. Known in Italy as INPS, the fund provides some 12 million pensions for a total of nearly 15,000 billion lire to women over 55 and men over 60, to invalids, and to the survivors of pensioners.

INPS covers workers in the private sector, and in branches of the plethoric state holding company IRI. An estimated 600,000 more employees of state or local administrations are covered by a separate pension scheme for civil servants.

In 1976 INPS gave 4.9 million pensions for old age, another 5.1 million for disability, and 2 million more to survivors of pensioners. It is one of the anomalies of the Italian pension system that the pensions for disability exceed those for old age.

'False Invalids'

Disability pensions have become one of the ongoing scandals of the Italian pension system. A normal pension can be granted at the end of 15 years' premiums (paid by employer and employee), but a worker who is classified "invalid" is eligible for a pension after only five years of premiums. The system has given rise to innumerable "false invalids," many of whom draw their pensions while continuing to work.

The pension fraud is particularly widespread in the south, where unemployment is high and farmers still form a relatively high proportion of the work force. Under the classification of "autonomous" workers, and controlled only by a local labor commission, the farmers have little trouble getting their names on the list of "invalids" with the right to a pension, which is then proposed to INPS. Rejections by INPS can be overturned by a local magistrate, whose sympathies are more often with the farmer from his area than with the vast organization in Rome.

Abuses are part of the reason why the deficit of INPS last year was 950 billion lire and by 1980 is expected to reach 16,000 billion lire.

Unlike the United States, with its system of capitalization of pension funds, Italy uses a redistributive system, which tends to leave gaping holes in the pension budget. Since Italy's economic situation precludes raising premiums either to employers or employees, holes are plugged by the state. There is some hope that as Italy improves economically, the pension deficit will narrow.

INAM

The health insurance system is even more complex than the pension system, since it has to cover far more people. An estimated 53 million Italians—employees, self-employed, retired persons and their families—are covered by the scheme. Only a thin stratum of very wealthy—about 1.5 million—are not covered by any health plan but pay entirely from their own resources.

Of those covered, the majority come under the umbrella of the Istituto Nazionale di Assicurazione Contro le Malattie, or INAM, as the national institute for insurance against illness is called. INAM covers more than 18 million persons employed in the private sector, plus their families, for a total of close to 40 million people.

Many smaller groups have their own agencies, including civil servants in the state and local administrations, doctors, druggists, employees of the movie industry, and so on. Even the agencies themselves have their own health agency—ENPDEP—the national social security agency for employees of state agencies.

The maze of agencies all guarantee basically the same things: general medical care, out-patient services (such as vaccinations), hospitalization, maternity and dental care, specialists' services, and financial aid when a worker is ill for more than a certain number of days.

Although the state agencies are due to go out of business by July 1, there is some doubt that the timetable will be maintained. The details of a new health service are still under discussion in Parliament, so it is likely that the old system will be granted an extension of some months at least.

When, eventually, the new system begins to operate, health services will be based on a series of local "health units." On the average, there will be one "unit" for every 50,000 citizens, although the ratio of units will be higher in sparsely populated areas and lower in cities with geographically dense populations.

Patients will be cared for by a small number of doctors attached to the unit in their neighborhood. This system, following the British model, is expected to have a considerable deterrent effect on abuses since the doctors are less likely to be personal friends of the patient and will be less inclined to extend personal favors.

The novel—if somewhat utopian—aspect of the new system should be the incorporation of preventative and rehabilitation services to supplement the existing care to the ill and make better use of the available resources. The theory is sound, but many people cannot help feeling it is more urgent to correct the weakness of the current system first before spending time and money on innovations.

One way to do that would be to reduce the enormous waste. The current deficit of the state health agencies is between 2 and 3 thousand billion lire. The state intervenes to cover some of the debts, but the money is never enough. Suppliers frequently have to wait up to a year to be paid, which causes them to raise their prices to adjust them to inflated lire. Pharmacies also are forced to wait, but since the law forbids them to raise their prices, they simply cut off supplies. The vicious cycle continues.

Currently, the funds available for health care are sufficient until August. "Unfortunately, people will also be ill between September and December," one INAM official remarked wryly.

Under the new sytem, the state would cover all expenses through special funds which would be allocated to the individual regions. Discussions are under way to decide whether the state would raise the money through premiums from employers and employees, as it does now, or through some kind of special tax.

ebate Is Fierce Over New Housing Reform

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Housing has become one of Italy's most controversial issues. And the prospect of a new law designed to establish fair rents for everyone has only escalated the controversy.

The bill is known as the *equo canone*—literally, "fair rent." It outlines criteria on which rent should be calculated, including: the type of dwelling, its neighborhood, the year of construction, size, how long the tenant has lived there, income of the landlord, and so on. Tongue-in-cheek critics have calculated that there are 75,000 possible kinds of situation that can be hypothesized.

The *equo canone* also proposes a fixed value of 250,000 lire per square meter as the basis for a 3-per-cent yearly income for a landlord on the house.

The idea of a national rent plan leads to "enormous disproportions," said the general secretary of the property-owners association, Confedilizia. As an example, he pointed out that a studio apartment in Fiesole, a hill town on the outskirts of Florence, is in this way valued at 15,000 lire rent a month—"an absurdity"—while a roomy apartment in Sicily may be valued at twice the amount the local market can bear simply on account of its size.

Almost no one seems really happy with the prospects of the *equo canone*, which in its present form would take years to actually apply. Opinions are sharply divided, and valid criticisms come from both tenants and owners.

The bill is chiefly aimed at reducing some of the more extreme inequalities in rents created by the current situation. But it does not—for the time being at least—even attempt to resolve many other problems. The one that has caused the most bitterness concerns the right of a landlord to reclaim the house he has rented out.

Officially, landlords can make tenants move out when they have an "urgent and immediate necessity" for the house for their own personal use. Three years' advance notice to the tenant is required; the occasion is frequently the marriage of one of the landlord's children.

Nearly two-thirds of homes in Italy are owned by private individuals. These are often people with a relatively modest income who have managed, with sacrifice, to buy an apartment, or build a small house on Rome's outskirts. More than as a source of immediate income, the home was intended as a guarantee for one's old age, or as a home for one's children when they grew up. In the meantime, the house was rented out.

In practice, under the present law, it is nearly impossible to force tenants to move. And because of the years of rent control, there are families paying 10,000 or 15,000 lire as monthly rent—a sum that by now does not even cover normal expenses of upkeep.

Hunger Strike

In Rome alone, there are 20,000 people waiting to move into their own homes, according to Giuseppe Mannino, who heads the two-year-old Union of Small Homeowners. The gadfly organization known as UPPI, whose leaders staged a hunger strike recently to draw the government's attention to the urgent need for housing reform, wants provisions in the law that would allow landlords an easier access to their homes in case of need. UPPI is also urging clearer laws on the rights of landlords and tenants, and a guarantee to the landlord of a certain income from the rental of his house.

UPPI is also urging the rapid construction of low-rent public housing, which would relieve landlords of some of the pressures caused by tenants who have nowhere to move that they can afford.

The case of Silvia and Ennio is typical of this problem. Since word came of the imminent sale of the building to private owners, the inhabitants of the building, which contains 76 apartments, have festooned the street-side of the building with banners bearing such legends as: "Even those who can't buy have the right to a home," and the ironic: "apartments for rent—2, 3, 4, 5 children."

Such a situation "shouldn't be permitted," said the Confedilizia spokesman. If Rome had enough houses, the fear of having to move wouldn't be so great.

The need for more low-cost housing is one issue on which all sides in the present heated controversy agree. The Communist party, for years the champions of the cause of tenants victimized by the housing chaos, has been constantly urging more intensive programs of partially and fully-subsidized housing projects that would provide low-cost dwellings to those with modest incomes.

Party experts point out that, until two years ago, private builders spurned public housing projects in Rome in which they were offered free land to develop for subsequent rent or sale at prices established by the city. They preferred to work on their own selling or renting at prices the market would bear. Between 1971 and 1975, only 5 per cent of housing in Italy was public.

During that period, the industry was hit by a crisis as the market for deluxe dwellings reached a saturation point and government measures to combat inflation made credit difficult to obtain. Private building all but ground to a halt, and builders suddenly turned to city housing projects to create work. During 1976, public housing shot up to 80 per cent of the total, with 110,000 apartments under construction.

The situation is improving, but many more houses are needed. According to United Nations estimates, Italy could use 400,000 new dwellings a year. Yet at the same time there are some 8 million rooms sitting empty, mostly in second homes in the country or by the sea.

A number of possibilities for encouraging public housing are being aired. They include government incentives to builders, an ease on credit restrictions, a unified set of building ordinances (which now differ in every city), and a standardization of models that would allow mass production of houses and therefore cut costs.

But until that can be done, the hopes of tenant and landlord alike are pinned on the *equo canone*, which ought to eliminate the more glaring disparities in rents. "It leaves a lot to be desired," said Mr. Mannino of UPPI, "but it is the only possibility for now. The alternatives are a continued rent freeze or a free-for-all."

—C.L.

Fiat is more than the Fiat you have always known

1899: Fiat Automobiles.
Since 1903 Fiat Commercial Vehicles.
Since 1908 Fiat Aviation.
Since 1917 Fiat Railroad Systems.
Since 1919 Fiat Tractors...

Since 1976
The Fiat Holding Company

The new Fiat is an industrial holding company with eleven operating groups.
This new organizational setup is the outcome of the need to diversify the Company's product and production strategies.
The new structures call for management flexibility, personal initiative, and decentralization.
Constituted in 1976, the new Fiat is a vital force with about U.S. $ 1,150 million of investments, about U.S. $ 11,000 million sales, and a total of 330,000 employees.

Automobiles The automobile is still the mainstay of the Fiat Holding Company. In 1975, the Company sold 1,350,000 automobiles, 55% of them to 150 export markets. This achievement is the outcome of the wide diversification of Fiat models, each of which fills a different niche in the market, but an essential role has also been played by the rational co-ordination of the three companies, namely Lancia, Abarth and Ferrari, all members of the Fiat Automobile Group.
Fiat autos are assembled or produced under licence in 50 plants in 25 countries with 148,000 people on the payroll.
Fiat has also built large industrial complexes which are operated under varying organizational setups in Brazil (Fiat Automoveis), Argentina (Fiat Concord), Spain (Seat), Yugoslavia (Zavodi Crvena Zastava), and Turkey (Tofas). FSO and FSM in Poland and VAZ at Togliatti in the Soviet Union are other major Fiat projects.

Commercial Vehicles IVECO (Industrial Vehicles Corporation) is the result of an agreement between Fiat and Klöckner Humboldt Deutz. This new company, in which Fiat has an 80% interest, co-ordinates the commercial vehicles activities formerly carried out by Fiat Commercial Vehicles, OM, and Lancia Special Vehicles in Italy, Unic in France, and Magirus Deutz in West Germany.
IVECO operates 14 production and assembly plants, employs a workforce of 50,000 people, produces a range of 200 basic models for all types of transportation, and had an output of 103,000 units in 1976.

Agricultural Tractors Fiat Tractors and its licencees have seven plants, two in Italy, one in Turkey, one in Yugoslavia, one in Romania, one in Zaire, and one in Argentina. They employ a total of 8,000 people and produced about 80,000 tractors in 1976.
The range consists of 50 models (two- and four-wheel drive or crawlers) with power outputs from 28 to 160 hp.
Fiat Tractors has produced a total of over one million units to date and is the world's leading manufacturer of crawler units for agriculture.

Steel The Steel Group (Teksid) consists of six different divisions: Steel Foundries, Cold-Forming, Forges, Tooling, and Engineering. Already Italy's major producer of special steel, Teksid plans to boost its output in this area to one million tons by 1978. But Teksid is not only steel. It also operates one of Europe's biggest foundry complexes using the most advanced production technologies. The latest cold extrusion and drop forging methods are also employed.
The Steel Group has 17 plants with a combined workforce of 30,000 people. New industrial facilities costing about U.S. $ 300 million planned for 1982

Construction Machinery Fiat-Allis is the first international joint venture company entered into by Fiat (with a 77% stockholding) and Allis Chalmers 23%. The new company combines the earthmoving equipment production and marketing activities and its basic range consists of 47 different models which are produced in seven plants, of which three are in Italy, two in the U.S., and one each in Brazil and the U.K.
Fiat-Allis has 11,500 employees and a yearly output (in 1976) of 9,500 units.

Energy The energy and energy exploitation activity of the Fiat Holding Company in this area includes the most technologically-advanced sectors, such as thermonuclear power stations.
The Energy Group is made up of Fiat Aviation and Fiat Thermomechanical-nuclear and Turbogas Division (Fiat-TTG).
Gas turbines, diesel engines for ship propulsion and railway applications, plus nuclear power reactors and components are manufactured in five plants employing a total of 4,500 people.

Rolling Stock and Rail Transportation Systems With its sound and long-established tradition, "Fiat Ferroviaria Savigliano" is responsible for the production of technologically-advanced rolling stock. The "Pendolino", the world's first variable-inclination electric unit (now in regular service) and the standard European bogie are two cases in point.
"Fiat Ferroviaria Savigliano" also manages (on a 50-50 basis with Efim) Fiat's stockholdings in the O.ME.CA. (Reggio Calabria) and Ferrosud (Matera) companies.
The Rolling Stock Division of Fiat Concord has a plant at Cordoba, Argentina.
The Group employs a total of 4,100 people.

Components The activities of the Fiat companies operating in industrial and vehicle components make up the Components Group of the new Fiat Holding Company.
This Group employs over 30,000 people in 46 plants and 40 laboratories engaged in the most diversified fields of production, namely alloy wheels, shock absorbers, steering wheels, electrical materials and equipment (for motor vehicles), paints, lubricants, carburetors, piston rings (for ship diesel engines), compensators, refrigerator compressor units, plus computers and software for automated systems — all characterized by high standards of quality and reliability.

Machine Tools and Production Systems Comau is a big new company with 11 plants and 5,8[illegible] employees, merging the following well-known companies formerly eng[illegible]ged individually in the special-purpose machine tool production sect[illegible] M.S.T., Morando, Colubra Lamsat, and IMP, in addition to Berto L[illegible]met, Impes, and UTS. These companies have provided the tooling for [illegible] number of major plants all over the world, for example at Togliatti in t[illegible] Soviet Union (Vaz), in Poland (FSO and FSM), Yugoslavia (ZCZ), Spa[illegible] (SEAT), Turkey (Tofas), Brazil (Automoveis and FMB), and Italy (Mir[illegible]fiori and Rivalta in Turin and Sofim at Foggia). Orders have also been r[illegible]ceived from all the leading European auto makers. Recently, Comau s[illegible]gned a contract to supply production installations for an earthmovi[illegible] equipment plant at Ceboksari in the Soviet Union.

Civil Engineering and Land Use
Construction of major public works and industrial complexes, town a[illegible] country planning, and service organization are carried out by the Fi[illegible] Holding Company through Impresit, a leading contractor which operat[illegible] all over the world in co-operation with associated companies or as [illegible] member of international joint ventures. Fiat's present involvement in th[illegible] area is reflected in more than 150 major construction sites with 50,00[illegible] people on the payroll.
The Fiat-Engineering Company and other organizations within th[illegible] Group concentrate on the executive design of factories and large-scale i[illegible]dustrial facilities as well as on industrial building (production by Prefi[illegible] of heavy prefabricated components).
Real estate development is carried out by Imprinvest in Italy and b[illegible] USIF abroad.

Tourism and Transportation Ventana ha[illegible] incorporated all the tourist companies operating within the Group an[illegible] can now offer a host of services ranging from the sale of travel tickets t[illegible] the arrangement of package tours and holiday accommodation.
Its sales network includes 25 travel agencies in Italy plus five representa[illegible]tive offices and over 300 related agencies all over the world. Fiat is als[illegible] involved (through Sita and eleven subsidiary companies) in the field [illegible] passenger transportation, and it holds stock (through Fitur) in Term[illegible] Vescine, Alsa Alberghi Sardi, Valtur, and Alpila.
The Group employs 4,000 people.

FIAT

...ttle Slew Captures the Kentucky Derby Under Pressure

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...criticized Jean Cru- ...i brilliantly, Seattle ... 3/4-length margin ...y Run at the finish ...l-a-quarter race for ...ite-closing Sanhed- ...hird, only a neck Despite the rela- ...ne of 2:02 1/5, it appeared that Seattle Slew had something left to give had it been needed.

In becoming the first unbeaten horse to win the Derby since Majestic Prince in 1969, the favorite returned $3 for $2 to his backers in the fourth largest Derby crowd. He also earned $214,700 from a purse of $267,200, the second largest ever, but that's not what really mattered most to the people in his camp.

What mattered to them, to Karen Taylor and her husband, Mickey, and to Cruguet and Billy Turner, the colt's trainer, all of them in their 30s, was that the critics had been answered. All week long, nonbelievers had been saying that Slew was overrated and undertrained, that he didn't have the foundation to go the Derby distance. And Cruguet's detractors had called attention to a nationally published comment by a prominent New York trainer: "Two minutes is a long time for the Frenchman to go without making a mistake."

But the 37-year-old Cruguet went more than two minutes, and all Turner could say about his performance was: "I thought he rode a very, very cool race, and that's what wins Derbies."

Turner, 37 himself, also had good things to say about the lightly raced colt he has brought along so patiently. Said Turner, proudly but without recrimination against the skeptics: "He was challenged, and he met the challenge. That's the most thrilling thing to me. And he overcame adversity."

From the moment the linked starting gates opened, Seattle Slew battled adversity. The black and yellow silks worn by Cruguet couldn't be seen in the initial wave of half-ton horses as they began the long run to the first turn.

"Seattle Slew broke slowly," came the ominous explanation from the track announcer.

With Slew in early trouble, Angel Cordero immediately sent For The Moment, the 7-1 third choice, to the front. Would this be a front-running repeat of last year's Derby, in which Cordero kept Bold Forbes ahead of favored Honest Pleasure, a full brother to For The Moment, every step of the way? It wasn't.

Pace-Setting Rabbit

Seattle Slew, under attack constantly, was guided quickly through traffic along the rail in the run to the first turn. By the time For The Moment swept past the gold-topped finish line the first time around, Slew was right alongside, just half a length back. Those two stayed well ahead of third-place Bob's Dusty, a stablemate of Run Dusty Run sent out as a pace-setting rabbit.

But Bob's Dusty never made the lead, and was rabbit stew after three-quarters of a mile.

Approaching the far turn, Cruguet hit Seattle Slew with the whip for the first time since the colt won last fall's Champagne Stakes at Belmont Park by nearly 10 lengths. The black and yellow silks now surged forward, drawing away from For The Moment as that Blue Grass Stakes winner began to fade.

With about an eighth of a mile to go, Run Dusty Run had ranged up into second place and Sanhedrin, and Get The Axe were coming on with strong late bids. But Seattle Slew, three lengths in front at that point, didn't come back to them quickly enough to make it a nerve-wracking finish. Through the final 16th of a mile, just flicking the whip alongside his mount's neck, it appeared almost as if Cruguet was trying to save a little for the Preakness, the next step on thoroughbred racing's annual Triple Crown.

Spear-Carriers in Opera

Only nine horses have swept the Triple Crown, and none of those went into the Derby undefeated. It's unclear how many of yesterday's also-rans will be around for the Preakness in two weeks or the Belmont Stakes June 11.

Get The Axe came home fourth yesterday, 3 3/4 lengths back of Sanhedrin and a nose ahead of Steve's Friend, who had a nose advantage over Papelote. After that, trooping past the wire like spear-carriers in an opera, came Giboulee, For The Moment, Affiliate, Flag Officer, Bob's Dusty, Sir Sir, Nostalgia, Western Wind and Best Friend. Jorge Velasquez, Sanhedrin's jockey, claimed foul against Darrel McHargue, the rider of Run Dusty Run, for alleged interference. But the stewards dismissed the objection in quick order.

Had Seattle Slew not come out of the gate nearly sideways, he probably would have been in front at the quarter, half and three-quarter-mile checkpoints, just as he always had been. That may have contributed to the slow final time, though the fast fractions might have had just as much to do with it.

For The Moment, with Seattle Slew right at his throatlatch, reached the half in 45 4/5 seconds and six furlongs in 1:10 2/5.

Turner, before the race, had said Seattle Slew could do the last quarter in 24 seconds or less "if it was necessary." The colt's final quarter, after he led at the mile in 1:36, was a surprisingly slow 26 1/5.

United Press International.

Seattle Slew crossing finish line in the Derby, trailed by Run Dusty Run, Sanhedrin.

...hoslovaks Lose to Canadians but Take Title

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...slovaks lost their ...n aggressive, but ... violent, Canadian ...itched as Sweden, ...it goal-keeping by ...sta, held off the ...ictory, the Swedes ...l in the eight-team ...The Russians drop- ...third, followed by ...and, the United ...Germany and Ro-

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...lovaks played with ...f a man walking ...h-crime neighbor- ...ed they were. Re- ...e Canadians' rep- ...or unprovoked as- ...zechoslovaks were ...oot the puck into the corners and drift after it, rather than trying to penetrate.

The Czechoslovak defensemen also failed to ride the Canadians away from the goal and the Czechoslovak forwards showed a distinct unwillingness to mix it in front of the Canadian net.

By the time the Czechoslovaks realized that the Canadians were playing a different game tonight—skating well and passing crisply, rather than just belting people—they had fallen far behind. The score was 4-2 after two periods and then the Canadians poured it on.

Not that the Canadians could have been taken for the Vienna Boys Choir. They accumulated 16 minutes in penalties, none of them major, as against 52 minutes in penalties, including three for misconduct and a match penalty, on Friday night, when the Soviet Union crushed them, 8-1.

Coach Johnny Wilson of the Canadian team later said that his players had been "up for this game in hopes of perhaps salvaging a medal." He added the Canadians had "exerted ourselves on checking and contained the Czechs around our net pretty well."

Phil Esposito and Wilf Paiement scored two goals each for the Canadians while Ron Ellis, Wayne Merrick, Pierre Larouche and Walt McKechnie got one.

Wilson also had some good words for the net play of Tony Esposito, who had 36 saves, some of them "big ones," the coach said.

But Esposito paled in comparison with Hoegosta, who had 46 stops for the Swedes, all of them "big ones."

The Russians began their game trailing Czechoslovakia by a point. A victory and its two points would have given the Russians a title without recourse to the computer, and a tie would have worked just as well because the Russians beat the Czechoslovaks, 6-1, and lost, 4-3, and thus led in aggregate goals, a factor in deciding championships.

The Soviet team carried the game to the Swedes, spending most of each period in the Swedish zone and seeming, even when the teams were at equal strength, to have a man advantage, so well did they set up their plays.

For their part, the Swedes were content to check and fall back, trusting Hoegosta to stop everything and waiting for a break. Three times it arrived, and each time a goal was scored by Roland Eriksson.

First, in the opening period, he took a rare long pass at the blue line, cut a fine angle between a defenseman and the goalie and scored.

Then, in the second period, he was lagging near the Russian net as the play moved in the opposite direction. Hans Jax intercepted a Soviet clearing pass and sent the puck to Eriksson, who easily put it past the Soviet goalie, Vladislav Tretjak, who had only 17 saves.

Finally, again in the second period, the Swedes, down a man, intercepted a Soviet pass in their zone, broke up ice and Eriksson took a pass across the crease to score again.

The rest of the excitement was all Hoegosta's. Sprawling, diving, kicking and snatching, he stopped shot after shot.

When the buzzer sounded, his teammates nearly crushed him. Well they might have: In two victories over the Russians, he gave up two goals.

Canadiens Win Opener in NHL

MONTREAL, May 8 (UPI).—Yvon Lambert and Mario Tremblay scored two goals each last night as the Montreal Canadiens, showing little effects from their grueling six-game semifinal series with the New York Islanders, overwhelmed the Boston Bruins, 7-3, in the opening game of the Stanley Cup finals.

Doug Risebrough, the third member of the line, scored the opening goal on a 30-footer at 1:45 of the first period.

...nchman ...Crown in ...yweights

..., May 8 (UPI).— ...Lucien Rodriguez ... European heavy- ...back to France ...time in 55 years ...and decision over ...ean-Pierre Coop- ...nt.

...25, weighing 207 ... a five-year and ...vantage over the ...Lion of Flanders" ...n claim to fame ... in a bout with ...Ali last year.

...opman's first de- ... crown he won ...ated Jose-Manuel ...pain on a tech- ...t March 12. The ...n declared vacant ...Bugner of Britain ... defend it within ...me limit.

...second time Ro- ...had fought only ...rofessional bouts. ...n. He outpointed ...ver 10 rounds in ...ht 10 months ago.

... who regarded ..."a boxer like ...h a lot of hope ...h experience," is ...nch heavyweight ...tle since the days ... Carpentier and ...id in the early

Triple Play Helps Cardinals Defeat Astros

ST. LOUIS, May 8 (UPI).—Bake McBride hit a run-scoring single to tie the game in the third and then scored the winning run on Keith Hernandez's single as the St. Louis Cardinals, aided by a triple play, downed the Houston Astros, 2-1, today.

The triple play, the first in 21 years for the Cardinals, began

Sunday

when Willie Crawford lined to second baseman Mike Tyson in the third inning. Tyson tossed to shortstop Don Kessinger to catch Enos Cabell off the bag at second. Kessinger's throw to first baseman Hernandez beat Cesar Cedeno to the bag.

Cubs 6, Braves 3

At Chicago, Bobby Murcer's two-run triple highlighted a four-run third and helped to power Chicago to a 6-3 triumph over Atlanta. The loss was the Braves' 14th in a row, setting a team record.

Pirates 6, Reds 4

At Pittsburgh, Dave Parker doubled home two runs and Bill Robinson and Phil Garner hit solo homers to lead Pittsburgh to a 6-4 victory and a sweep of their three-game series with Cincinnati.

Yankees 10, A's 5

At New York, Graig Nettles's three-run homer capped a five-run first-inning rout of ex-teammate Dock Ellis and sparked New York to a 10-5 victory over Oakland for their 13th triumph in the last 15 games.

The Yankees sent nine batters to the plate in the first inning and got four hits and a walk off Ellis, who suffered his fourth loss in five decisions and third straight since coming to the A's from the Yankees last month. Ellis, who was knocked out in the third inning after being charged with six runs, has now given up 18 earned runs in 7 1/3 innings at Oakland for a 22.19 ERA.

Orioles 6, Mariners 3

At Baltimore, Pat Kelly's first-inning grand slam home run, his fifth homer in the last six games, carried a struggling Jim Palmer and Baltimore to a 6-4 victory over Seattle. Palmer notched his fifth straight victory since an opening-day loss.

Twins 5, Blue Jays 4

At Toronto, Rod Carew went 4-for-5 and Butch Wynegar doubled home a pair of runs to lead a 14-hit Minnesota attack which carried the Twins to a 5-4 victory over Toronto.

Brewers 7, Tigers 4

At Detroit, rookie Dan Thomas hit a two-run home run and Robin Yount drove in three runs, two when Milwaukee scored three times in the seventh inning, to help the Brewers snap a four-game losing streak with a 7-4 victory over Detroit.

Red Sox 4, Angels 3

At Boston, Dwight Evans hit a sixth-inning homer and Jim Willoughby turned in a strong 4 1/3-inning relief performance as Boston edged California, 4-3.

White Sox 8, Indians 3

At Cleveland, Oscar Gamble, hitting at a .545 clip in his last nine games, belted a two-run homer and Chet Lemon banged out five hits to stake Chicago to an 8-3 victory and a three-game sweep over Cleveland.

...kees Move Into First on 3 Home Runs

..., May 8 (UPI).— ..., Roy White and ...hit home runs to ... York Yankees to ...y over the Oakland

... gave the Yankees ... first place in the ...gue East.

...6, Brewers 2

...ookie Dave Rozema ...n hits and Steve

...urday

...four times to lead ... 6-2 victory over

...ox 5, Indians 2

...d, Richie Zisk's 10th ...he season handed ...land his fourth ...ti and led Chicago ...mph over Cleveland.

...4, Mariners 2

...ore, Rookie Eddie ...ed his fifth home ...ed another run on ...nces triple to lead ...a 4-2 triumph over

Red Sox 3, Angels 0

At Boston, Steve Dillard hit his first homer of the season and rookie Bob Stanley pitched a six-hit shutout as Boston defeated California, 3-0, and handed Frank Tanana his first loss after four victories.

Twins 4, Blue Jays 1

At Toronto, Mike Cubbage's two-run triple highlighted a three-run first inning that helped Minnesota to a 4-1 victory over Toronto.

Royals 6, Rangers 5

At Arlington, Texas, Pinch-hitter Joe Zdeb's 10th-inning sacrifice fly gave Kansas City a 6-5 victory over Texas.

Cubs 11, Braves 4

At Chicago, Manny Trillo's third home run in five games highlighted a 15-hit barrage that paced Chicago to an 11-4 rout of Atlanta.

Mets 6, Giants 0

At San Francisco, Jerry Koosman helped New York snap a five-game losing streak with his 26th career shutout in pitching a three-hit, 6-0 victory over San Francisco.

Astros 3, Cardinals 1

At St. Louis, ex-Cardinal Joe Ferguson snapped a 1-1 tie with a two-run homer in the 11th inning to give Houston a 3-1 triumph over St. Louis.

Phillies 7, Dodgers 4

At Los Angeles, Larry Bowa singled home a run and Mike Schmidt powered a two-run homer off reliever Al Downing as Philadelphia beat Los Angeles, 7-4, in 13 innings.

Expos 7, Padres 6

At San Diego, right-hander Don Stanhouse scattered seven hits in the eight innings and Tony Perez and Del Unser each hit solo homers to help Montreal edge San Diego, 7-6.

Pirates 12, Reds 10

At Pittsburgh, Willie Stargell drove in four runs with a pair of homers, Al Oliver added a two-run homer and relief pitcher Grant Jackson doubled home two more runs to lead Pittsburgh to a 12-10 victory over Cincinnati.

Major League Standings

AMERICAN LEAGUE

Eastern Division

	W	L	Pct	GB
New York	15	10	.600	—
Baltimore	13	9	.591	1/2
Milwaukee	14	11	.560	1
Boston	13	11	.542	1 1/2
Toronto	12	16	.429	4 1/2
Detroit	10	14	.417	4 1/2
Cleveland	8	15	.348	6

Western Division

	W	L	Pct	GB
Minnesota	17	10	.630	
Chicago	15	10	.600	1
Kansas City	15	11	.577	1 1/2
Texas	12	10	.545	2 1/2
Oakland	14	13	.519	3
California	10	16	.385	6 1/2
Seattle	9	21	.300	9 1/2

Friday's Results

California 8, Boston 4.
Chicago 7, Cleveland 5.
Minnesota 7, Toronto 2.
Baltimore 4, Seattle 1.
New York 4, Oakland 1.
Detroit 5, Milwaukee 2.
Texas 5, Kansas City 2.

Saturday's Results

Minnesota 4, Toronto 1.
Boston 3, California 0.
Chicago 5, Cleveland 2.
New York 11, Oakland 2.
Detroit 6, Milwaukee 2.
Baltimore 4, Seattle 2.
Kansas City 6, Texas 5.

Sunday's Games

Milwaukee 7, Detroit 4.
Chicago 8, Cleveland 3.
Minnesota 5, Toronto 4.
New York 10, Oakland 5.
Baltimore 6, Seattle 3.
Boston 4, California 3.
Texas 5, Kansas City 2.

NATIONAL LEAGUE

Eastern Division

	W	L	Pct	GB
Pittsburgh	16	7	.696	—
St. Louis	15	9	.625	1 1/2
Chicago	12	10	.554	3 1/2
Montreal	12	10	.554	3 1/2
Philadelphia	11	12	.478	5
New York	10	14	417	6 1/2

Western Division

	W	L	Pct	GB
Los Angeles	22	5	.815	—
Houston	11	15	.423	10 1/2
Cincinnati	10	14	.417	10 1/2
San Francisco	10	15	.400	11
San Diego	11	19	.367	12 1/2
Atlanta	8	18	.308	13 1/2

Friday's Results

Chicago 7, Atlanta 2.
Pittsburgh 6, Cincinnati 3.
St. Louis 4, Houston 1.
San Diego 6, Montreal 4.
Los Angeles 9, Philadelphia 3.
San Francisco 5, New York 3.

Saturday's Results

Chicago 11, Atlanta 4.
Pittsburgh 12, Cincinnati 10.
New York 6, San Francisco 0.
Houston 3, St. Louis 1.
Montreal 7, San Diego 6.
Philadelphia 7, Los Angeles 4.

Sunday's Games

Pittsburgh 6, Cincinnati 4.
Chicago 6, Atlanta 3.
St. Louis 2, Houston 1.
Philadelphia at Los Angeles, rain.
Montreal at San Diego, 2, rain.
New York at San Francisco, 2.

NHL Playoffs

Saturday's Game

Montreal 7, Boston 3 (Lambert 2, Tremblay 2, Chartraw, Risebrough, Lemaire; O'Reilly, Park, Schmautz).

NBA Playoffs

Saturday's Game

Portland 121, L.A 109 (Lucas 28, Hollins 25; Tatum 32, Jabbar 30).

Andretti Wins Spanish Grand Prix

MADRID, May 8 (AP).—American Mario Andretti scored his second straight grand prix victory today, leading the Spanish Grand Prix from start to finish in his JPS-Lotus. He moved into the second spot in the competition for the 1977 world drivers championship.

"The car ran beautifully, like a train, like clockwork," an ebullient Andretti said after the race at the Jarama circuit near Madrid.

"Here's the man who really takes the credit," Andretti said, slapping Lotus boss Colin Chapman on the back. "Everything is so beautiful on the car. It makes my job easier."

Andretti came here "flying high" from his triumph in the U.S. Grand Prix West at Long Beach, Calif., last month.

Teammate Is Fifth

His teammate, Gunnar Nilsson of Sweden, came in fifth despite engine misfire throughout the race.

Andretti's nine points for the victory make his total 20, only three behind leader Jody Scheckter of South Africa, who placed third today.

Second across the line was Argentina's Carlos Reutemann, 16 seconds behind Andretti.

Reutemann was defending Ferrari colors alone. Austrian former world champion Niki Lauda pulled out of the event less than three hours before the start. During a practice session today, he re-injured ribs broken in a tractor accident a year ago and preferred "not to compromise the rest of the season by racing here," a Ferrari spokesman said.

There was a battle royal for the minor placings, Scheckter holding a lead in his Wolf—measured often only in yards—from German Jochen Mass in a McLaren, from the 20th lap through the flag.

Hunt Forced Out

Reigning world champion James Hunt of Britain had another unhappy outing. He has not won a race this year, and the Spanish event ended for him on an early lap with electrical problems.

The race on the short, narrow, twisting track provoked numerous accidents, but no injuries. One of the most spectacular was a collision between Swiss Clay Regazzoni in an Ensign and Vittorio Brambilla of Italy in a Surtees, which eliminated both when they were lying sixth and seventh on the ninth lap.

The most outstanding drive of the race, Andretti's excepted, was by France's Jacques Laffite. Lying second to the American, he was forced into the pits with a loose wheel on his Ligier-Matra on the 12th lap, but fought his way back to finish seventh.

Andretti's Lotus covered the 75 laps (158.7 miles) in an hour 42 minutes 52.22 seconds, averaging 91.8 miles an hour.

NBA's 76ers Down Rockets

PHILADELPHIA, May 8 (UPI).—Darryl Dawkins today again came off the bench and teamed with Julius Erving to lead a fourth-quarter rally that carried the Philadelphia 76ers to a 106-97 triumph over the Houston Rockets in the second game of the NBA Eastern Conference finals.

The victory gave the 76ers a 2-0 lead in the best-of-seven series.

The 76ers watched a 12-point half-time lead whittled down to three at the end of the third quarter. The Rockets stayed within three points in the opening moments of the fourth period before the 76ers ran off eight straight points to take a 94-83 lead with 6:17 to play.

In that stretch, the 20-year-old Dawkins, who also sparked the 76ers after coming off the bench in Thursday night's victory, hit two baskets, including a devastating slam dunk, and Erving and Henry Bibby added jump shots. Dawkins hit another basket and Erving a pair as the 76ers stretched the advantage to 100-85 with 3:26 to play, and the Rockets were never able to get back to within nine points after that.

Before the fourth-quarter rally, the 76ers had to withstand brilliant third-period performances by Rudy Tomjanovich and Calvin Murphy.

Tomjanovich scored 16 points in the quarter and Murphy added 12 of his game-high 32 points.

Erving finished with 18 points, 10 in the fourth period, while Dawkins had six of his 13 points in the final period. George McGinnis led the 76ers with 21 points and Doug Collins added 20.

Trail Blazers Win

INGLEWOOD, Calif., May 8 (UPI).—Maurice Lucas scored 28 points and Bill Walton added 22 to lead the Portland Trail Blazers to a 121-109 victory over the Los Angeles Lakers in the opening game of their semifinal playoff series Friday night.

Walton held his own against Lakers' superstar Kareem Abdul-Jabbar, who had 30 points. Rookie Earl Tatum, replacing the injured Lucius Allen in the starting lineup, kept the Lakers in the game in the second half with a career-high 32 points, hitting 11-for-14 shots in the second half.

Portland, which knocked off Denver in six games, broke a 14-game Los Angeles winning streak at home. It was only the fifth Laker loss in 46 contests at the Forum.

Portland's five starters collected 107 of the team's 121 points, with guards Lionel Hollins and rookie Johnny Davis getting 25 and 20, respectively. Bob Gross added 12.

Romanians Gain in Davis Cup

BUCHAREST, May 8 (AP).—Romania advanced in Davis Cup tennis play today when Ilie Nastase beat Czechoslovakia's Jan Kodes, 6-2, 6-2, 6-4.

Rain stopped the final singles match between Dumitru Haradau of Romania and Jiri Hrebec of Czechoslovakia but the Romanians had won three of the four matches played.

Spain Beats Yugoslavia

BELGRADE, May 8 (AP).—The Spanish Davis Cup team today completed its defeat of Yugoslavia, 4-1. Manuel Orantes beat Nikki Pilic, 7-5, 6-2, 6-2 and Jose Higuera beat Zoltan Ilic, 6-3, 6-1, 4-6, 6-2.

France Defeats Poland

WARSAW, May 8 (Reuters).—France today completed a 5-0 victory over Poland. Patrice Dominguez beat Tadeusz Nowicki, 3-6, 7-5, 6-3, 9-7, and François Jauffret defeated Henryk Drzyzalski, 6-3, 6-0, in best-of-three-sets matches.

Sweden Ousts Austria

STOCKHOLM, May 8 (UPI).—Sweden won both singles matches today to shut out Austria, 5-0. Rolf Norberg defeated Hans Kary, 9-7, 6-4, 6-4, and Kjell Johansson beat Cliff Letcher, 6-1, 6-3, 6-3.

WCT Doubles Championship

KANSAS CITY, May 8 (UPI).—Dick Stockton and Vijay Amritraj used devastating serves Friday night to defeat Eddie Dibbs and Corrado Barazzutti, 6-4, 6-2, 6-2, to advance into the finals of the $200,000 WCT world doubles championship.

Stockton and Amritraj will play today against Vitas Gerulaitis and Adriano Panatta, who knocked off the top-seeded team of Tom Okker and Wojtek Fibak, 6-4, 6-4, 6-3, earlier Friday.

Friday's and Saturday's Line Scores

FRIDAY'S GAMES

NATIONAL LEAGUE

Atlanta .... 000 010 100—2 7 0
Chicago .... 000 500 20x—7 13 0
Capra, Campbell (4), Easterly (7), Johnson (7) and Pocoroba; Krukow, Reuschel and Mitterwald. W—Krukow (1-2). L—Capra (0-2). HR—Paciorek (3d), Mitterwald (3d), Murcer (5th).

Cincinnati ...... 000 210 000—3 8 0
Pittsburgh 001 050 00x 6 15 0
Billingham, Caldwell (5), Borbon (6) and Plummer; Candelaria, Gossage (7) and Dyer. W—Candelaria (3-0). L—Billingham (3-2).

Houston ...... 000 000 001—1 3 2
St. Louis ...... 000 011 02x—4 7 0
McLaughlin, K. Forsch (7) and Ferguson; Falcone, Hrabosky (8) and Simmons. W—Falcone (1-3). L—McLaughlin (0-1).

Montreal .... 100 000 120—4 11 1
San Diego ...... 100 310 01x—6 10 3
Brown, Terpko (5), Kerrigan (7), Atkinson (8) and Carter; Griffin, Fingers (8) and Davis. W—Griffin (2-1). L—Brown (1-2). HR—Turner (2d).

New York ...... 000 300 000—3 8 1
San Francisco . 001 300 10x—5 8 1
Swan, Apodaca (7), Myrick (7) and Stearns; McGlothen (1-3) and Hill. L—Swan (1-3). HR—Stearns (3d), Hill (2d).

Philadelphia ... 000 101 100—3 8 1
Los Angeles ... 250 020 00x—9 18 1
Christenson, Brusstar (2), Underwood (5), Reed (7) and Boone; Sutton (4-0) and Oates. L Christenson (2-3). HR—Smith (4th), Cey (11th), Monday (4th).

AMERICAN LEAGUE

Seattle .... 100 000 000—1 5 1
Baltimore .... 020 010 00x—4 8 0
Abbott, Moore (3) and Cox; Grimsley (3-1) and Dempsey. L—Abbott (0-4). HR—Kelly (4th), Decinces (5th).

Oakland .... 000 100 000—1 5 1
New York ...... 000 300 01x—4 9 1
Medich, Umbarger (8) and Sanguillen; Figueroa (3-2) and Munson. L—Medich (1-3). HR—White (2d).

California ...... 002 002 211—8 16 1
Boston .... 000 300 001—4 6 0
Ryan, Hartzell (9) and Etchebarren; Tiant, Willoughby (7), House (7), Murphy (8), Campbell (8) and Fisk. W—Ryan (4-3). L—Tiant (2-2). HR—Grich (5th), Bonds (5th).

Chicago .... 201 200 002—7 16 1
Cleveland .... 000 004 001—5 9 2
Barrios, Lagrow (8) and Essian, Hamilton (9); Eckersley, Waits (5), Bibby (9), Laroche (9) and Kendall. W Barrios (2-1). L—Eckersley (2-3). HR—Zisk (9th), Grubb (2d), Kendall (2d).

Minnesota ...... 000 301 003—7 9 2
Toronto .... 000 020 000—2 9 3
Zahn, Schueler (7) and Wynegar; Lemanczyk, Johnson and Ashby. W—Zahn (5-0). L—Lemanczyk (2-3). HR—Hisle (7th).

Milwaukee ...... 000 020 000—2 9 1
Detroit .... 010 022 00x—5 10 2
Augustine (3-3) and Moore; Roberts, Foucault (8) and May. W—Roberts (2-4). HR—Brye (1st), O'Glivie (5th).

Kansas City ... 000 000 200—2 6 1
Texas .... 020 120 00x—5 8 0
Alexander (4-1) and Porter; Gura, Mingori (5) and Sundberg. L—Gura (2-1). HR—Horton (3d), Wills (2d), Mayberry (4th), Cowens (4th).

SATURDAY'S GAMES

AMERICAN LEAGUE

Minnesota ...... 300 000 001—4 9 2
Toronto .... 000 000 010—1 6 0
Thormodsgard, Burgmeier (8), Johnson (9) and Wynegar; Hargan (1-3) and Ashby. W—Thormodsgard (2-1).

California ...... 000 000 000—0 6 0
Boston .... 000 110 01x—3 6 2
Tanana (4-1) and Etchebarren; Stanley (2-0) and Fisk. HR—Dillard (1st).

Milwaukee ...... 010 100 000—2 7 3
Detroit .... 110 101 02x—6 9 0
Travers, McClure (8) and Moore; Bozema (2-0) and Wockenfuss. L—Travers (3-3). HR—Staub (4th), Lezcano (4th), Bando (1st).

Chicago .... 100 010 021—5 12 2
Cleveland .... 000 002 000—2 4 1
Knapp, Hamilton (6), B. Johnson (7) and Downing; Garland, Laroche (8) and Kendall. W—B. Johnson (3-2). L Garland (0-4). HR—Blanks (1st), Bell (3d), Zisk (10th).

Oakland .... 100 000 001—2 11 2
New York ...... 230 012 00x—11 12 0
Langford, Coleman (3), Norris (6), and Sanguillen, Newman (6); Gullett (2-2) and Munson, Healy (6). L—Langford (3-1). HR—Rivers (1st), White (3d), Nettles (3d), Gross (7th).

Seattle .... 000 100 010—2 9 2
Baltimore ...... 010 102 00x—4 7 1
Jones, Pagan (7) and Cox, Stinson; R. May, Holdsworth (8), Flanagan (8) and Dempsey. W—R. May (3-3). L—Jones (0-1). HR—Murray (5th), Stanton (4th).

K. C. .... 000 032 000 1—6 8 2
Texas .... 000 200 003 0—5 10 1
Leonard, Hall (9), Littell (9) and Porter, Wathan; Perry, Devine (10), Knowles (10) and Sundberg. W—Littell (3-2). L—Devine (1-1). HR—Otis (5th), Cowens (5th), Hargrove (2d).

NATIONAL LEAGUE

Atlanta .... 000 300 001— 4 9 2
Chicago .... 031 052 00x—11 15 1
Niekro, Campbell (5), Easterly (6) and Pocoroba; Burris, G. Hernandez (6), Todd (9) and Mitterwald. W Burris (4-3). L—Niekro (0-6). HR—Trillo (4th).

Cincinnati ...... 402 001 021—10 14 1
Pittsburgh ...... 320 030 40x—12 13 0
Zachry, Alcala (5), Murray (6), Borbon (7), Eastwick (8) and Bench; Kison, Forster (3), Jackson (6), Tekulve (9) and Dyer. W—Forster (1-0). L—Zachry (2-4). HR—Driessen (4th), Foster (4th), Morgan (4th), Stargell (5th, 6th), Oliver (2d).

New York ...... 102 300 000—6 10 1
San Francisco . 000 000 000—0 3 1
Koosman (2-2) and Stearns; Montefusco, Curnutt (4), Heaverlo (7), Williams (7) and Hill. L—Montefusco (2-4).

Houston ... 000 000 010 02—3 10 1
St. Louis ... 000 000 100 00—1 3 0
Richard, K. Forsch (8), Sambito (10) and Ferguson; Rasmussen, Hrabosky (8), Urrea (9) and Simmons, Rader. W—Sambito (2-1). L—Urrea (1-2). HR—Ferguson (7th).

Montreal .... 021 011 110—7 11 0
San Diego 200 000 022 6 9 6
Sawyer, Spillner (5), Bernal (6), Metzger (8), Tomlin (9) and Carter; Stanhouse, McEnaney (9), Kerrigan (9) and Davis, Roberts (7). W—Stanhouse (3-3). L—Sawyer (1-3). HR—Perez (5th), Unser (2d), Winfield (5th), Tenace (4th).

Phila. ... 010 000 120 000 3—7 14 1
L. A. ... 400 000 000 000 0—4 12 1
Twitchell, Kaat (5), Garber (7), Reed (9), Underwood (11) and Boone; Rau, Hough (7), Garman (10), Downing (12) and Yeager. W—Underwood (1-0). L—Downing (0-1). HR—Schmidt (5th).

Earl Morrall Retires After 21 NFL Years

MIAMI, May 8 (UPI).—Quarterback Earl Morrall has announced his retirement after 21 seasons in the National Football League.

"I'm retiring for the good of the team," said Morrall, who completed his career as a backup to Bob Griese with the Miami Dolphins, his sixth NFL club. "The younger quarterbacks can do as well or better than I can."

Dolphins' coach Don Shula said he would miss Morrall, and said Don Strock would become Griese's backup. In anticipation of Morrall's announcement, Shula has invited Gary Valbuena, a quarterback who was cut last year, to training camp.

Scotland Soccer Coach Joins a New Team

GLASGOW, May 8 (AP).—Willie Ormond has resigned as manager of Scotland's international soccer team.

Ormond, who steered Scotland to the 1974 World Cup finals tournament in Munich, quit to accept a contract as manager of a Scottish league team, Heart of Midlothian.

Observer

The Waterloo Affair

By Russell Baker

NEW YORK.—At the end of their first televised interview David Frost had Napoleon Bonaparte perspiring heavily under his pressing interrogation about the Waterloo affair, and small wonder.

Baker

Napoleon has always been a heavy perspirer, particularly on television. He has often blamed his 1812 defeat in Russia on Marshal Ney, who forgot to pack an anti-perspirant in the imperial campaign kit. Under the intense heat of a burning Moscow, Napoleon had no defense against the powerful dryness of Gen. Mikhail Kutuzov, the Russian commander whose naturally juiceless Ivy League glands were so famous that he was known to the army as "cool Mike."

When Napoleon agreed to let Frost interview him at his St. Helena retreat, he apparently failed to reckon on Frost's skill at relentless cross-examination. In any case, he began the interview with the insouciance of a man who expects nothing more trying than a brief appearance with a tapioca panel on the Merv Griffin Show.

Yes, he admitted, he had made mistakes in the Waterloo affair, but these were mistakes of the vital organs, not of the head. "Are you saying," asked Frost, "that you brought disaster on yourself because you were too soft-hearted?"

* * *

"No," said Napoleon. "Because I was too soft-stomached."

Frost pounced immediately. Producing the running transcript of Waterloo, he read an excerpt composed by the Duke of Wellington at his position under the notorious Wellington tree. This stated that Napoleon had inexplicably failed to cover his right flank against the Prussian Army.

"Where was that written?" Napoleon asked.

"At the Wellington Post," said Frost.

"I don't believe anything I read in the Wellington Post," said Napoleon.

Frost bored in. "Did you or did you not mastermind a cover-up on your right flank?"

Napoleon maneuvered. He had always been the master of the battle of maneuver. Now, obviously, he saw an opportunity to feint at his own center, deliver a heavy blow at Frost's purse and send the prying Sassenach reeling to England 5 million francs poorer. "My stomach betrayed me," he said.

"You had known for years you had a bad stomach," said Frost.

"Not true," said Napoleon. "Able was I ere I saw Elba."

"Why did you insist on keeping a bad stomach with you once you realized Wellington was waiting at Waterloo?"

"I could no more part with my stomach than I could have parted with my two arms," said Napoleon. "Moreover, until then I had been able to keep it in line by taking antacid tablets."

"But when the fighting started at Quatre Bras, you had ample notice that you were in for a long affair," said Frost. "Why didn't you alkalize immediately?"

Napoleon lowered his eyes. He seemed on the verge of tears. Then he spoke with unaccustomed gentleness.

When the Quatre Bras struggle began and he realized that he was facing not only Wellington's army and Blucher's Prussians, but also the press, the Congress of Vienna and the most brilliant ball ever given in Brussels, he summoned Marshal Ney and Marshal Soult and took them for a reflective stroll through the beautiful fields of honeysuckle.

* * *

"Ney," he had said, "we have arrived, mon vieux, at the critical moment. Give me the antacid tablets."

"Is it acid indigestion or just heartburn?" Ney asked.

"The tablets," Napoleon had insisted.

"Because if it's just heartburn," said Ney, "you could drink a bottle of cream soda and burp and you'll feel better right away."

At that moment Napoleon realized that Ney had once again failed him. He had forgotten to pack the antacid tablets.

"Why didn't you fire him on the spot?" asked Frost.

"That is what Marshal Soult suggested," said Napoleon. "If you get rid of Ney and put me in charge of the medicine cabinet," Soult had said, "we won't have any more of these foul-ups."

Napoleon could not. Ney was the bravest of the brave and, besides, Soult was always losing his own shaving cream.

"You had 33,000 men available to commit a cover-up on your right flank that would have held off the Prussian Army long enough for you to destroy Wellington's center," said Frost. "Admit that it was simple incompetence that kept you from making this obvious move."

"Not incompetence," said Napoleon. "Just an honest misjudgment." Those men, he thought, could be better used to break through to Luxembourg and capture an arsenal of stomach powder to relieve his gastric distress. "It was a mistake of the stomach."

Distrust of official government investigations brought one man to the archives. He claims to be hot on the trail of the real assassins of Abraham Lincoln.

Quirky Questions at the U.S. National Archives

By Janet Clayton

WASHINGTON.—To the eye of a passerby it is just one of many imposing structures along Washington's Pennsylvania Avenue, but over the years it has attracted more than its share of people who are anything but run of the mill.

To it, for instance, have trooped such figures as the "queen of the world" seeking to nail down her throne, a man trying to trace his roots back to Adam and Eve, and another male determined to prove he is a descendant of both Genghis Khan and Charlemagne.

But more importantly, the gray, 42-year-old building is a mecca for such researchers as a Texas professor studying Nazi war records to help ease the energy shortage and a couple investigating the disappearance of aviatrix Amelia Earhart in 1937.

It is the National Archives where, as an official put it the other day, "Myths are exploded and legends are proven."

Completed in 1935, at what now would be the phenomenally low cost of $8,578,000, it houses—and makes available for government use and private research—the nation's most valuable records and documents.

Also on display are such treasures as the Declaration of Independence and the Constitution.

So it is not surprising that over the years many have concluded that the archives holds the answers to all questions and problems, real or imaginary. Most recently, the Bicentennial and the television program "Roots" have led some to believe—or hope—that the archives is a genealogical records center.

"Somewhere someone got the idea that there's a centralized computer that has the genealogy of all Americans," said James Walker, research specialist in genealogy and local history. "We do not do genealogical research. We only direct people to available sources, leaving it to them to prove their ancestry."

Some of the million square feet of federal records in the archives—such as census, military, pension, and land documents—might help someone trying to construct a family tree. But the truth is that the preponderance of birth, marriage, and death records can be obtained more conveniently at local and state agencies.

The misconception that the archives is the be all and end all for genealogical research leads to requests that are off beat, to say the least.

Besides the "queen of the world," Genghis Khan and Adam and Eve requests, a man recently wrote the archives asking for records on all the descendants of Jesus Christ. All such requests are handled in a similar manner.

"They must figure we have the records of the world," Mr. Walker said. "All we can do is send them the standard genealogy kit which explains the records we do have."

But a request that on its face seems peculiar may have great merit. One such idea now being put to use involves the study of captured German World War II records to try to alleviate the energy shortage. Arnold Krammer, a historian at Texas A & M University, is studying the records to determine the method used by Germaan scientists to convert coal to synthetic oil. During the war, Germany ran most of its war machine on synthetic oil.

"Any engineer can tell you you have to convert coal to oil, but how to do it on a national scale and efficiently is the question," Mr. Krammer said.

The answer may lie in the archives. If Mr. Krammer and his associates are successful, their studies could lead to the development of a significant energy source.

Other unusual inquiries come from people trying to prove or disprove conspiracy theories. Researcher Frances Kothera thinks that somewhere in the archives records is the solution to the Earhart mystery.

In 1937, accompanied by Lt. Comdr. Fred Noonan, Miss Earhart set out on what was billed as a round-the-world trip in a twin-engined Lockheed. After completing two-thirds of the trip safely, the plane vanished near Howland Island in the South Pacific on July 2.

Some older residents of the Pacific area have claimed that Miss Earhart and Comdr. Noonan were captured by Japanese soldiers, and these claims have kept Mrs. Kothera and her husband, Don, scouring archives records for 10 years.

"We never intended to investigate it this far," Mrs. Kothera said recently. "But we just can't take the answers the government is giving us."

Capt. Pat Coulter of the Marine Corps Records Division said there are no known documents or photographs to substantiate the claim. But the Kotheras' search goes on in the archives.

Distrust of official government investigations also brought Ronald Rietveld to the archives. He claims to be hot on the trail of the real assassins of Abraham Lincoln.

Mr. Rietveld, a history professor at California State University, Northridge, contends that Lincoln "was a sitting duck" and that as many as 35 high-level government officials were part of an assassination plot. He is trying to substantiate his theory by examining records and correspondence of members of the Lincoln administration.

The conspiracy idea—for the Lincoln assassination, the Kennedy assassination, any sudden government drama—is nothing new for William Cunliffe, assistant chief of the archives' modern military branch.

"We hear a lot about conspiracy theories, I think because when the loss is great, people naturally want to seek deeper answers," Mr. Cunliffe said.

"Then again, people sometimes think the truth about their individual situation is in our records. Men have even contacted us trying to get the goods on their wives. It's sad." Certain inquiries are especially disheartening for archives officials. They come from students whose scholarship eligibility rests on whether they can prove a specified ethnic, religious, or regional background.

"It seems a student needs to be a Black-Mexican-Indian whose grandfather was Protestant and lived in New Mexico," an official remarked. "It bothers me that it's virtually impossible for us to help them."

Sometimes persistent persons receive positive answers to offbeat inquiries. A man in Orange Courthouse, Va., wanted to know the history of his house. The history of a private residence would normally never be contained in the archives, but because the house had been used as a rooming facility for Confederate soldiers during the Civil War, information on the layout of the house and damage done to it in the conflict was detailed in archives records.

Officials cautioned that some people coming to the National Archives with questions may not like the answers they find. For example, family legends do not always hold up under scrutiny. As a technician in the central research room of the archives, Mary McBride has seen a lot of bubbles burst.

One woman, a regular archives visitor, was proud that one of her ancestors had fought for the Union in the Civil War. One fateful day, while examining Confederate Army records, however, she discovered the ancestor had really fought on the side of Dixie.

"She tried to insist the records were wrong," said Mrs. McBride. "She was so upset that someone else would find out that he was a Confederate that she tried to walk out with the records."

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United Press

Franklin Roosevelt jr. and his new bride, Pat... ride horses to their wedding reception on...

PEOPLE: *Marriages Interrupt... Before and After*

A priest in Mexico City was saying mass at the wedding of Maria Antonia Perez to Francisco Ramirez when a woman burst into the church and shouted: "That man's my husband!" Two policemen led Ramirez from the church, the prospective bride fainted and Ofelia Martinez de Ramirez handed the priest documents showing that she and Ramirez had been married in 1966. Ramirez said that he had been trying to get a divorce.

* * *

Country music singer Buck Owens has been much more successful at divorce, having accomplished it twice, and the other day he filed for dissolution of his third marriage—four days after taking the vows with Jana Grief, a fiddler in his band. According to records at the court in Bakersfield, Calif., they were married last Monday, separated on Wednesday and he filed for dissolution of the union on Thursday.

* * *

For Franklin Roosevelt jr., the ceremony at his estate in Poughquag, N.Y., on Saturday was his fourth marriage. The bride of the 63-year-old son of the late president was Patricia Louisa Oakes, 27, the adopted daughter of Nancy Oakes, Baroness Hueningen-Huene.

Roosevelt previously was married to Ethel duP... Perrin and Felicia ... noff.

* * *

Sheikh Khalifa ... vice-minister of def... United Arab Emirat... Friday after a 10-d... he had to leave hi... behind. The crown ... Dhabi had bought ... France. But it was ... Orly Airport that ... closed in their hives ... garbage-disposal ... escape and wreak ... passengers on the ... Instead, he ordered ... be forwarded by ...

* * *

A male, yellow-... at the Cincinnati ... cently given a hard-... which to sit. He d... hours on it. The zoo ... substituted a fresh ... nothing happened; ... to be infertile.

Another duck egg ... to the vulture's ... one day, it was ... bird has since bec... rogate father of ... whom he has taught ... erly, a spokesman ... said, and the du... accepted the vulture ... tector.

—SAMUEL...

هكذا من الأصل